

MOTION: The Policies and Procedures Committee and Finance Committee recommends to the Area Assembly the following changes to the Internal Financial Control Policy in the Maryland General Service Area Assembly Handbook.

NOTE: **Yellow** highlighted items in document below are suggested changes with each one followed by an endnote describing the recommended change.

Maryland General Service, Inc. - Internal Financial Control Policy

The organization, Maryland General Service, Inc. (MGS), will implement a system of internal controls that includes all coordinated methods and measures to safeguard resources, assure the accuracy and reliability of accounting records and enforce adherence to established management policies and procedures.

Financial duties should be assigned, whenever feasible, so that the responsibilities for operations, custodianship, and reporting are separate and distinct. (See sections regarding functional activities for specific segregation of duties and requirements outlined below regarding Cash Controls.)

The organization must have a system of authorization and procedures to provide reasonable accounting control and oversight of assets, liabilities, revenues and expenses.

Secure Area

Transactions and documents specified below shall be recorded in paper or electronic form, as appropriate. The term “secure area” in the following implies a locked physical location for transactions and a password protected online storage area for documents.

Cash Controls

Bank Accounts

Check signing authorization and signature cards for all MGS bank accounts shall be executed and maintained by the Treasurer and the Financial Institution.

The MGS Treasurer will notify the bank immediately if there is a change in authorized check signers for any account associated with MGS.

At a minimum, one corporate bank account shall be maintained for payments on demand for operating and other expenses. Secondary accounts will be opened only for specifically identified purposes (e.g. Reserve Fund, Special Savings, Literature, Grapevine, State Convention)

All orders for blank vendor checks by any MGS committee must be authorized in writing by the MGS Treasurer. Upon delivery of the blank checks, the checks will be reviewed and noted for any discrepancies of check sequence numbers, missing or incorrect information.

Unused check supplies will be safeguarded in a secure area. Access to unused check supplies is limited to authorized personnel. Signed checks that have not been mailed or distributed will be kept in a secure area.

Bank Statement Reconciliations

All Maryland General Service, Inc. (MGS) bank statements shall be available to the MGS Finance Committee Chairperson for review upon request.

Bank statement reconciliations for all MGS associated accounts shall occur **within 10 days**¹ after the end of the month. The reconciliation process shall, at a minimum, account for sequential check numbers, and examination of cancelled checks for authorized signatures, irregular endorsements, alterations and a review of voided checks. Differences and outstanding items shall be resolved in a timely manner and reported back to the MGS Finance Chairperson **for signature of the completed bank reconciliation form.**²

Checks outstanding for over thirty (30) days shall be investigated and resolved in a timely manner.

Voided checks and stop payments shall be recorded and restored to cash balance in the general ledger in a timely manner.

The bank reconciliation reports are filed in the monthly Financial Reports Binder. Bank Statements and cancelled checks are filed in a MGS-assigned secure area to be available for review by the MGS Finance Committee Chairperson.

Cash³ Receipts

Mail with check receipts will be opened, date-stamped, and recorded on a Checks **Received Log**,⁴ which will include the date of the check, the name of the payer/ group, **and**⁵ the amount of the **check.**⁶

Check receipts will be endorsed as follows:

For Deposit Only Full Organization Name Bank Name Account Number

All **checks received**⁷ will be deposited at regular intervals.

All **Cash Receipts**⁸ will be recorded and properly substantiated with supporting documentation.

The cash deposit slip⁹ will be numbered.

The listing of mail receipts will be subsequently compared to the cash receipts record and authenticated copies of the deposit slip on a monthly basis.

The Checks Received Log and deposit slips will be forwarded to the MGS Finance Chairperson monthly.

Disbursements

¹⁰**All expenses**, with receipts attached, must be submitted **in writing**¹¹ to the MGS **Treasurer**¹².

Disbursements from bank accounts shall be made only for valid transactions. The payment of goods and services shall be organized to ensure that no unauthorized payments are made, that complete and accurate records are made of each payment, and that payments are recorded in the appropriate period.

All disbursements will be tracked according to the originating source. Documentation must be provided for checks used out of sequence.

The MGS Chairperson and one (1) other MGS Officer must approve non-check disbursements.

Disbursements shall be made on a regular schedule established by the MGS Treasurer and all MGS Committee Treasurers.¹³

“Two signatures” can mean two authorizations via electronic method or two physical signatures on a traditional paper check. All disbursements or withdrawals¹⁴ shall require the “signatures” of the MGS Treasurer and one (1) other MGS officer. All MGS Committees shall have at least two authorized signature positions within the committee.

Credit and Debit Cards

Credit cards in the name of an officer or other trusted servant are not authorized. The MGS debit card is authorized for use by the MGS Treasurer. ALL purchases made with the MGS debit card shall be authorized in writing (paper or electronic), in advance, by the MGS Chairperson and one (1) other MGS Officer.¹⁵

Electronic Transfer of Funds

Electronic fund transfers originating from the bank using Online Banking are authorized as long as the following conditions are met:

- 1) The payee has agreed to receive electronic funds originating from the bank
- 2) Each transfer is accompanied in the MGS Treasurer’s documentation by substantiated expense vouchers and receipts.
- 3) All disbursements made via electronic funds transfer shall be authorized in writing (paper or electronic), in advance, by the MGS Chairperson and one (1) other MGS Officer.¹⁶

Accounts Payable

The MGS Treasurer pays invoices by their due date, usually within a 30 day grace period from invoice date.

Checks used for Accounts Payable are pre-numbered, safeguarded until used, and will not be signed “blank.”

Checks used for Accounts Payable will only be signed upon sufficient presentation of an invoice or other documentation of the expense.

¹ Delete “within 10 days” and add “in a timely manner”

² Delete “for signature of the completed bank reconciliation form” and add “. The Finance Chairperson will provide email verification of the reconciliation to the Area Treasurer.”

³ Delete word “Cash”

⁴ After Received Log, insert “(either in hard copy or in software)”

⁵ Delete the word “and”

⁶ Add “and an image of the check”

⁷ Delete “checks received” and add “checks and cash received”

⁸ Delete “Cash Received” and add “receipts”

⁹ Delete “The cash deposit slip” and add “All deposit slips”

¹⁰ Delete “All expenses” and add “An official MGS voucher form”

¹¹ Delete “in writing”

¹² After Treasurer, add “for expense reimbursement”

¹³ Delete “Disbursements shall be made on a regular schedule established by the MGS Treasurer and all MGS Committee Treasurers”. Note: This is not needed since MGS pays on demand.

¹⁴ After the word withdrawals, add “including non-check disbursements,”

¹⁵ Delete “the MGS Chairperson and one(1) other MGS Officer” and add “any two MGS Officers”

¹⁶ Delete “the MGS Chairperson and one(1) other MGS Officer” and add “any two MGS Officers”