



BOROUGH OF TARENTUM

318 E. SECOND
AVENUE TARENTUM,
PENNSYLVANIA 15084

Borough Policy: Internal Controls

Purpose:

To establish a framework of internal controls that supports accountability, compliance, and operational integrity across the Borough's financial and operational activities. This policy ensures that responsibilities are clearly defined and implemented to safeguard Borough assets, prevent fraud, and promote efficiency.

Scope

This policy applies to all employees, departments, and officials involved in the Borough's financial and operational processes, including accounts receivable, accounts payable, and revenue collection activities.

Policy Statement

The Borough of Tarentum is committed to maintaining a robust internal control environment to protect assets, ensure accurate financial reporting, and comply with applicable laws. This policy is designed to integrate with the Borough's Accounts Receivable, Accounts Payable, and Revenue Collection policies.

Key Principles of Internal Control

The Borough's internal control system includes the following principles:

1. Control Environment: Promoting a culture of integrity, ethics, and accountability.
2. Risk Assessment: Identifying, evaluating, and mitigating risks to Borough operations.
3. Control Activities: Establishing policies and procedures to address identified risks.
4. Information and Communication: Ensuring timely and accurate reporting of financial and operational data.
5. Monitoring: Regularly reviewing and updating controls to adapt to new risks or deficiencies.

Internal Control Objectives

1. Safeguard Borough assets from loss, theft, or misuse.
2. Ensure compliance with laws, regulations, and Borough policies.
3. Promote operational efficiency and accuracy in financial reporting.
4. Detect and prevent errors, irregularities, and fraud.

Internal Control Procedures

1. Segregation of Duties

- a. Accounts Receivable:
 - i. Invoice generation must be completed by designated employees.
 - ii. Separate individuals must perform payment receipt and recording (Utility Billing Admin).
 - iii. A third-party or independent team member must handle bank deposit reconciliations.
 1. Administrative and Finance Officer
- b. Accounts Payable:
 - i. Invoice receipt and logging must be separate from invoice approval and payment processing.

2. Authorization and Approval

- All financial transactions, including significant adjustments, require approval by the Borough Manager and, where necessary, Borough Council.
- Expenditures must follow thresholds outlined in the Accounts Payable Policy and be supported by appropriate documentation.

3. Check Issuance and Approval

a. Check Signatures

All checks issued by the Borough must contain three authorized signatures before they can be released.

b. Pre-Signature Requirements

Before any signatures are affixed to a check, the following conditions must be met:

- i. The check must clearly display the amount and vendor information.
- ii. Documentation supporting the payment, such as an invoice, quote, or written authorization, must be attached to the check. Approval from the Borough Manager is required for all check payments.

iii. Authorized Signers

The following individuals are approved to sign checks on behalf of the Borough:

1. All seven members of the Borough Council
2. The Borough Manager

4. Documentation and Recordkeeping

- All financial and operational activities must be documented and retained for a minimum of seven years.
- Accounts Receivable and Accounts Payable teams are responsible for maintaining records in compliance with the Borough's policies.

5. Asset Security

- Physical access to Borough cash, checks, and electronic systems must be restricted to authorized personnel.
- Digital systems must utilize strong access controls, including passwords and user permissions.

6. Reconciliation and Monitoring

- Bank and account reconciliations must be completed monthly by the Finance Director or a designated representative.
- Department heads must monitor operational reports to identify discrepancies or irregularities.

7. Regular Audits

- The Borough will conduct regular internal and external audits of its financial and operational processes to ensure compliance with policies.
- The Finance Director is responsible for coordinating these audits.

Roles and Responsibilities

- **Borough Manager:** Oversees the internal control framework and ensures compliance across all departments. Approves significant adjustments, payment arrangements, and expenditures.
- **Finance Director:** Monitors and enforces compliance with internal controls for accounts receivable, accounts payable, and revenue collection. Conducts reconciliations, reviews financial activities, and coordinates audits.
- **Accounts Receivable Team:** Generates and maintains invoices. Posts payments and ensures records align with the Accounts Receivable Policy.
- **Accounts Payable Team:** Processes invoices, reviews payment requests, and ensures compliance with payment schedules. Maintains accurate records of vendor disbursements.
- **Department Heads:** Approve invoices and ensure operations comply with internal control policies. Monitor activities within their departments to identify risks or deficiencies.
- **Borough Council:** Approves expenditures and financial adjustments exceeding policy thresholds.
- **Employees:** Adhere to internal controls and report any irregularities or potential risks to supervisors or the Borough Manager.

Compliance

Failure to comply with this policy may result in disciplinary action, including termination, and may involve legal penalties in cases of fraud or gross negligence.

Review and Updates

This policy will be reviewed annually to ensure alignment with operational changes, emerging risks, and regulatory updates.

Approval:

EFFECTIVE: Immediately

DATE: 12/10/2024

LAST REVISED:

APPROVAL: _____
Dwight Boddorf, Borough Manager

COUNCIL APPROVAL DATE: 12/10/2024

APPROVAL: _____
Scott Dadowski, Council President