

City of St. Mary, Missouri

Administrative Internal Control Policy

1. Policy

Internal control is a major part of managing an organization. It comprises the plans, methods and procedures used to meet missions, goals and objectives. Internal control also serves as the first line of defense in safeguarding assets and preventing and detecting errors and fraud. Internal control helps government managers achieve desired results through effective stewardship of public resources.

This policy applies to the handling of finances and assets of the City of St. Mary. The internal controls set forth shall be designed to prevent losses of City funds by fraud, employee error or imprudent actions by employees and/or elected officials of the City.

2. Accounting

The City of St. Mary uses Quick Books Pro for all accounting. The City Clerk shall be proficient in its use. Said manual is a working tool to help train new employees, as well as cross-training present employees. A copy of the manual is maintained in the City Clerk's office.

3. Fixed Asset Inventory Control

An inventory listing is maintained in the City Clerk's office of all equipment. A physical inspection of fixed assets is performed annually.

4. Internal Control

Internal control is not one event, but a series of actions and activities that occur throughout an entity's operations and on an ongoing basis. Internal control should be recognized as an integral part of each system that management uses to regulate and guide its operations.

Purchasing – The City allows employees to charge, for day to day operation, with approval from overseeing supervisor. Purchases above \$500.00 are to be approved by the Board of Aldermen and Mayor. Large equipment purchases should be included in the appropriate budget.

Payment of Bills – The City Clerk issues all checks for the city. Each invoice is reviewed by the clerk for accuracy and to avoid duplicate payments. All invoices are to be pre-approved by each departmental alderman and paid upon Board of Alderman approval. The Clerk has prior approval to pay all utility bills, employee health insurance, employee retirement payments and company tax payments as required by law.

Budget Process – The City Clerk, with Mayor approval, prepares each department's budget with input from each departmental alderman. Bills must be coded to the proper expense account, even if it is over budget. Although a line item may be over budget, the bottom line must be within the total budget for the department. The budget is given to the Board of Alderman prior to the October meeting and then presented at a Board of Alderman meeting for approval. The City Clerk enters the approved budget figures into the general ledger for the new fiscal year.

Investments – The City Clerk enters any interest in investments on a monthly basis.

Payroll – Employees are responsible for submitting time sheets along with time cards to the City Clerk so payroll can be processed. Time sheets are to be signed by an alderman or the mayor. Checks are issued to employees. The City Clerk has prior permission to transfer necessary funds from accounts to the payroll account to meet payroll expenses.

Receipt of Monies – All monies for the City are collected by the Elected City Collector. Monies are received from utility customers, taxes, licenses, fire tags and other fees billed by the city. The Collector prepares the deposits, enters the transactions into the cash receipts system and deposits the funds. The City Clerk monitors accounts through the bank accounts and balances the funds at the end of the month.

5. **Segregation of Duties**

Check Printing – Payroll and Vendor checks are issued by the City Clerk. The City Clerk reviews all invoices and issues checks. Each check is to be signed by two individuals being the Mayor, City Clerk and President of the Board.

Bank Reconciliations – All of the City's bank accounts are reconciled by the City Treasurer on a monthly basis. The Treasurer reconciles all of the investments on a monthly basis. If the city has no City Treasurer then those duties are to be assigned to another city employee depending on availability.

Cash Receipts – The City Collector enters all cash receipts into the general ledger by computer and makes all deposits. The Collector shall issue a report to the Board of Aldermen each month for their review.

Detailed process of Cash Receipts, Accounts Payable and Payroll

1. **Cash Receipts**

The City Collector collects money at the Collector's office at city hall. The Collector enters the transaction with the appropriate code into the computer. The money is placed into the cash drawer until a bank deposit is made. The Collector has one drawer with one hundred dollars in it. The cash drawer is balanced to the receipts after each deposit which occurs on a daily basis or as needed. At the end of the day the cash drawer is placed inside the locked vault.

The Court Clerk collects monies for fines and fees. A receipt is issued and the money is placed in the court money bag to be deposited at least weekly in the Municipal Court Account at the bank. The Court Clerk then balances the court account at the end of the month after court has taken place. The funds due the city are transferred to the General Fund

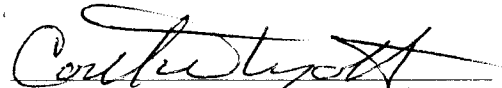
2. **Accounts Payable**

The City Clerk issues all checks for the city. All invoices must have approval from the alderman over each department. All checks are kept in the City Clerk's office. Each invoice is reviewed by the City Clerk for accuracy.


3. Payroll

Payroll checks are issued by the City Clerk. Employees submit time sheets and time cards and the City Clerk prepares the payroll for distribution. Time Sheets are approved by the department Alderman or the Mayor and the calculations are reviewed by the City Clerk. Payroll checks are kept in the City Clerk's office. Funds are transferred for payroll from the appropriate funds. All accounts are balanced by reconciling the various bank statements at the end of each month

This policy was adopted by the St. Mary Board of Aldermen on February 23, 2012.

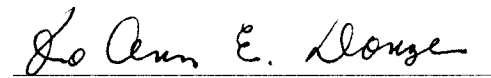

Mayor Carlton Wyatt

Attest:


City Clerk JoAnn E. Donze

<u>Alderman</u>	<u>aye</u>	<u>nay</u>	<u>abstain</u>	<u>absent</u>
Robert Bequette	x			
Dennis Bovey	x			
Clyde Cassoutt	x			
Frank Gerardot		x		

I, JoAnn E. Donze, Clerk of the City of St. Mary, Missouri, do hereby certify that the foregoing City Internal Control Policy was duly adopted by the Board of Aldermen on Thursday, February 23, 2012 at a Special Meeting of the Board of Aldermen.


City Clerk JoAnn E. Donze