

# **HNCA**

## **Financial Control Policy**

### **INTRODUCTION**

This document outlines the internal financial controls of the Harrogate North Condominium Association, Inc. (HNCA). It's intended to manage and control revenue inflow and disbursements. It includes financial reporting, internal controls, segregation of duties, security, and prevention of financial loss from mismanagement.

### **SEGREGATION OF DUTIES**

1. Segregation of duties must be maintained, at a minimum, between one of three functions: requester, approver, and the preparer of a disbursement.
2. The Property Manager, Treasurer, Asst Treasurer, and President can only perform two of the above functions in connection with any disbursement
3. A payee for a disbursement cannot be both the approver and preparer.

### **APPROVAL OF EXPENSES**

1. Non-budgeted expenses less than \$200 can be approved by the Treasurer, Asst Treasurer, or President.
2. Non-budgeted expenses over \$200 and budgeted, non-contracted expenses over \$500 require Board approval before being incurred.
3. All reserve fund and capital fund expenditures must be pre-approved by the Board.

### **CHECK PREPARATION AND ELECTRONIC PAYMENTS**

1. The Property Manager, President, Treasurer and Asst Treasurer will all have check writing privileges and will be registered with the selected financial institution; currently the First Resource Bank.
2. All invoices shall be reviewed and approved by the Treasurer prior to payment by the Property Management. In the absence of the Treasurer, the President or Asst Treasurer may review and approve the payments.
3. All checks over \$1,000 shall be prepared and signed by the Property Manager.
4. The Treasurer shall be permitted to be the Approver and Preparer for all check requests up to \$200.00 at his/her discretion. The President and Property Manager shall be notified of the processed check, within 48 hours.
5. The Treasurer shall be permitted to be the Approver and Preparer for a check request up to \$1,000.00, if authorized by a majority of the Board. The Property Manager shall be notified of the processed check, within 48 hours.
6. The Asst Treasurer, in the absence of the Treasurer or when so directed by the Treasurer shall be permitted to perform all the duties of the Treasurer.
7. The President shall be permitted to be the Approver and Preparer for a check request up to \$1,000.00, if authorized by a majority of the Board. The Property Manager and Treasurer shall be notified of the processed check, within 48 hours.
8. Any checks over \$10,000 shall be approved by both the Treasurer and President.

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9. All payments shall be made by check. Online banking shall be limited to review of account activity and transfers between accounts.

#### **REVIEW AND REPORTING**

1. The Property Manager shall reconcile all monthly bank statements and provide copies along with reconciliation details to the Board.
2. The Property Manager shall prepare and deliver a written financial report five days before each Board meeting showing the month-end financial condition and performance against budget.
3. The Treasurer, Asst Treasurer and President shall have online access to monitor and review transactions for all savings, checking and investment accounts.
4. An external financial review shall be conducted, at minimum, every three years by an independent, qualified accounting firm.
5. A reserve fund study to insure funds exist for future capital expenditures requirements and to determine if monthly assessments are adequate to support it, shall be conducted at a minimum of every five years by a qualified engineering firm.
6. The Property Manager shall backup the accounting software data files a minimum of once per month and store it offsite to an external hard drive or the cloud.

#### **DISBURSEMENT RESPONSIBILITIES**

##### **A. Requester**

1. Prepares the check request and attaches supporting documents (invoice, receipt, etc.).
2. Indicates if the disbursement is a budgeted or non-budgeted item.
3. Forwards it to the Approver.

##### **B. Approver**

1. Validates budgeted or non-budgeted status. Reviews the budget to insure that sufficient funds have been allocated to cover the expense.
2. Validates that supporting documents and invoice amounts are correct and complete.
3. Assigns an account code to properly classify the expenditure.
4. Forwards it to the check Preparer.

##### **C. Preparer**

1. Matches the supporting source documents and verifies the request for payment, check amount, and availability of sufficient funds.
2. Issues and mails the check.
3. Records payment in the check register.
4. Files supporting documentation.