



## Internal Controls and Fraud Prevention

### **POLICY**

The management of Full Life and the Full Life Board of Directors are committed to implementing controls necessary to detect, prevent and eliminate the occurrence of any type of fraud within the organization.

Full Life employees are required to report fraud. Any employee of Full Life who suspects fraud should promptly notify the Executive Director, their supervisor, or the Treasurer of the Board.

The Full Life Whistleblower Policy protects anyone from retaliation who, in good faith, reports unlawful activity.

No Full Life employee is immune from penalties imposed for proven acts of fraud; the penalty for which will be determined by the nature of the crime, but will, at least, involve dismissal from employment with Full Life.

Full Life has zero tolerance for any proven acts of fraud, which include but are not limited to:

Lying or stealing;

Altering or falsifying time sheets or making erroneous entries or material omissions on forms, financials or Full Life records;

Theft of cash or equipment;

Skimming and larceny.

### **PROCEDURES**

#### **Waiver Contract Income from the State of Hawai'i**

All income from the Waiver Contract shall be deposited directly into Full Life checking account.

#### **Bank Statements**

Unopened bank statements and canceled checks will be received by the Treasurer of the Board of Directors each month and carefully examined for any inappropriate payees or inappropriate checks to the Executive Director or Finance Director. Checks will also be examined for legitimate signatures. The treasurer shall, initial and date the statements, then give the bank statements to the Executive Director who will audit the statements to assure that the amounts on randomly selected checks match the amounts in QuickBooks. The Executive Director will also scan checks for signatures. The Treasurer of the Board shall appoint a board member to receive the bank statement in his or her absence.

## Internal Controls

The Finance Director, upon reconciliation of the bank statements will attach the QuickBooks reconciliation to the appropriate statement and return the statements to the Executive Director. The Executive director will verify the reconciliation in QuickBooks, and initial and date the bank statements.

### **Payroll**

Upon receipt of the time sheets and payroll checks (for signature) the Executive Director will randomly select employee names from the payroll spread sheet and verify hours worked: (1) review the time sheet(s) of selected employees for supervisor and participant signatures, (2) verify the total hours on the relevant participant time sheets; (3) verify that the hours reported on the time sheets match the hours recorded on the payroll spreadsheet; and (4) verify that the hours reported on the spreadsheet match the hours paid on the check detail in QuickBooks. The Executive Director will also check payee names when signing payroll checks and check any unfamiliar employee name(s) is in the FLIPR HR database. Finally the Executive director will tally the number of persons who should receive a paycheck and assure that the number of actual paychecks does not exceed this number.

### **Approval of Expenditures**

All purchases of office supplies and Learning Center supplies are made using purchase orders. Purchasing is tied directly to budgets, and purchases must be approved by the Executive Director, in most cases, or the Finance Director in his/her absence.

### **Accounts Payable Verification**

When signing Vendor Checks the Executive Director shall review vendor statements for full address; verify that the invoice is addressed to Full Life; verify the amount of randomly selected checks in QuickBooks; verify that the amount billed is reasonable, for clearly understood services or materials, and that the check detail matches a line item in the budget.

### **Financial Data**

The Executive Director and/or the Treasurer of the Board of Directors may, at any time, review the audit trail in QuickBooks to assure that only authorized users are entering, deleting or revising data.

Access to the company QuickBooks files is limited to the Finance Director and Executive Director. Additionally, updated budgets and projections are maintained in a secure intranet file accessible only to the Finance Director and Executive Director. The Finance Director's data files are protected by a password known only to the Finance Director, Executive Director and the IT specialist.

### **Mandatory Annual Vacations**

The Finance Director and Executive Director shall be required to take annual vacations of not less than five working days.

## Internal Controls

### **Security**

All reserves of checks, deposit slips and other banking documents will be stored in a locked area at all times. All blank check stock shall be locked at all times, with access limited to the Finance Director, Financial Assistant and Executive Director. Checks and bank records shall never be left unattended.

### **Multiple Signatures**

The signature of the Chair of the Board of Directors and the Executive Director shall be required on all checks over \$10,000.

Approved by the Board of Directors on February 25, 2010.