

Finance office procedures

Financial Controls Guide

Segregation of duties, approval limits, the month-end close, and two sample policies for a community services nonprofit with a small finance staff.

Why this guide exists

Larkfield Community Partners runs on a \$4.2 million budget with a finance director, a part-time bookkeeper, and a handful of staff who touch money as part of other jobs. With so few people, it is easy for one person to end up starting, approving, and recording the same transaction without anyone noticing. This guide sets out who does what, who approves what, and how the books are closed each month, so that every transaction passes through at least two sets of hands.

The guide goes with the Financial Controls Toolkit workbook. The workbook holds the live versions of the duties matrix, the close checklist, the approval table, and the check request log, and it flags problems as staff update it. This document is the version the board reviews and adopts.

How to adopt it

Start with the duties matrix and change the role assignments to match your actual staff. Review any conflicts the workbook flags and decide on a compensating control for each one. Then take the approval table and the two policies to the finance committee, make changes, and ask the full board to adopt them. Review all of it once a year and whenever staffing changes.

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Status of the March 2026 sample

Roles with a duties conflict	2
Month-end close complete as of April 8	54%
Check requests with an exception	5 of 40

This guide is a sample written for a fictional organization. It is not legal or accounting advice. Any organization using it should review it with its auditor before the board adopts it.

Who does what

Each row is one step in a finance process. The letters show who **performs** the step (P), who **approves** it (A), and who **reviews** it afterward (R). A role should not hold two of the four core duties (authorization, custody of assets, recording, and reconciliation) within the same process. Cells shaded red are the two places where that happens today.

ID	Task	Duty type	Exec. director	Finance director	Book-keeper	Develop. coord.	Office manager	Program staff	Board treasurer
Cash receipts									
CR-1	Open mail and list every check on the receipts log	Custody					P		
CR-2	Endorse checks "for deposit only" when they arrive	Custody					P		
CR-3	Prepare the deposit and scan checks with the bank's remote deposit	Custody					P		
CR-4	Record deposits in QuickBooks	Recording			P				
CR-5	Record gifts and pledges in the donor database	Recording				P			
CR-6	Compare the receipts log to the bank deposit and QuickBooks	Reconciliation		P					
CR-7	Reconcile donor database totals to QuickBooks each month	Reconciliation		P		R			
CR-8	Approve write-off of an uncollectible pledge	Authorization	A						R
Disbursements									
DS-1	Submit a check request with the invoice attached	Request						P	
DS-2	Approve the invoice within dollar authority	Authorization	A	A				A	
DS-3	Enter the bill in QuickBooks	Recording			P				
DS-4	Print checks and prepare the ACH batch	Custody			P				
DS-5	Sign checks or release ACH payments in the bank portal	Authorization	P						P
DS-6	Mail checks and file paid invoices	Custody					P		
DS-7	Review the check register and cleared check images	Review							R
Payroll									
PR-1	Approve staff timesheets	Authorization						A	
PR-2	Approve new hires, terminations, and pay rate changes	Authorization	A						
PR-3	Enter employee changes in the payroll system	Recording			P				
PR-4	Submit payroll to the payroll processor	Recording			P				
PR-5	Review the payroll register before funds are released	Review		R					
PR-6	Reconcile the payroll register to the general ledger	Reconciliation		P					
Vendor setup									
VS-1	Request a new vendor and collect a signed W-9	Request						P	
VS-2	Confirm bank details by calling a known phone number	Review					P		
VS-3	Approve a new vendor or a change to vendor bank details	Authorization		A					
VS-4	Add or change the vendor record in QuickBooks	Recording		P					
VS-5	Review the monthly vendor change report	Review	R						
Bank reconciliation									
BR-1	Prepare the monthly bank reconciliation for each account	Reconciliation		P					
BR-2	Record bank fees and interest found during the reconciliation	Recording			P				
BR-3	Review and initial each reconciliation	Review	R						
BR-4	Review bank statements online each quarter	Review							R
Journal entries									
JE-1	Prepare journal entries with support attached	Recording			P				
JE-2	Approve journal entries before posting	Authorization		A					
JE-3	Post approved journal entries in QuickBooks	Recording			P				
JE-4	Review the monthly journal entry listing	Review	R						

Conflicts, key rules, and approval limits

Conflicts and compensating controls

A small staff cannot always separate every duty, which is acceptable when another control covers the gap and the board knows about it.

Bookkeeper in disbursements

Risk. The same person enters bills and prints checks, so a false bill could be entered and paid without anyone else touching it.

Compensating control. Blank check stock stays locked with the office manager, who logs check numbers used. The board treasurer reviews the check register and cleared check images each month.

Longer-term fix. Move check printing to the finance director once the new bank portal allows ACH approvals by role.

Finance Director in vendor setup

Risk. The finance director approves new vendors and also enters them, so a fictitious vendor or a changed bank account could go unnoticed.

Compensating control. The office manager confirms bank details by phone before any change, and the executive director reviews the QuickBooks vendor change report each month.

Longer-term fix. Give vendor-edit rights in QuickBooks to the bookkeeper and keep approval with the finance director.

Key rules across processes

Rule	Role	Result
The person who prepares the bank reconciliation does not record cash receipts or disbursements.	Finance Director	Met
The person who opens the mail does not record deposits or gifts.	Office Manager	Met
The person who prints checks does not sign them.	Bookkeeper	Met

Approval authority

Approved by the board. Amounts are per transaction. Nobody may approve a payment to themselves or a request they submitted.

Transaction	Amount	Who approves
Budgeted purchases and invoices	Up to \$2,500	Department Director
	\$2,500 to \$10,000	Finance Director
	\$10,000 to \$25,000	Executive Director
	Over \$25,000	Executive Director and board treasurer
Unbudgeted spending	Up to \$5,000	Executive Director
	Over \$5,000	Finance Committee
Contracts and leases	Up to \$50,000	Executive Director
	Over \$50,000	Board of Directors
Check signatures and ACH release	Up to \$5,000	One authorized signer
	Over \$5,000	Two authorized signers
Payroll changes	Any amount	Executive Director
Journal entries	Up to \$25,000	Finance Director
	Over \$25,000	Finance Director and executive director
Pledge write-offs	Up to \$2,500	Executive Director
	Over \$2,500	Finance Committee

Month-end close checklist

The books close within ten business days of month end. The March 2026 close below shows the checklist six business days in: 14 of 26 tasks are complete, 3 are overdue, and one is blocked while the finance director waits on final timesheets for the payroll accrual.

Due	Task	Owner	Status on April 8
Cash			
Day 1	Record all March deposits and match to the receipts log	Bookkeeper	Done
Day 1	Download bank and credit card statements	Bookkeeper	Done
Day 3	Reconcile operating, payroll, and money market accounts	Finance Director	Done
Day 3	Reconcile credit card statement and code receipts	Bookkeeper	Done late
Revenue			
Day 4	Record government grant invoices for March costs	Finance Director	Done
Day 4	Reconcile donor database to QuickBooks contributions	Finance Director	Done late
Day 3	Record new pledges and update the pledge receivable list	Development Coordinator	Done
Day 5	Record releases from donor restrictions	Finance Director	Done
Day 4	Record special event revenue and direct benefit costs	Bookkeeper	Overdue
Expenses			
Day 2	Enter all March bills received by the cutoff	Bookkeeper	Done
Day 4	Accrue unpaid March invoices over \$1,000	Finance Director	Done
Day 4	Record payroll accrual for days worked but not paid	Finance Director	Blocked
Day 3	Amortize prepaid insurance and software	Bookkeeper	Done
Day 3	Record monthly depreciation	Bookkeeper	Done
Day 5	Allocate shared costs to programs by FTE percentages	Finance Director	Overdue
Balance sheet			
Day 5	Reconcile grants receivable to the aging report	Finance Director	Overdue
Day 5	Reconcile payroll liabilities to the payroll reports	Bookkeeper	Done late
Day 6	Reconcile refundable advances to grant agreements	Finance Director	Not started
Day 6	Update the restricted funds tracker	Finance Director	In progress
Day 5	Review accounts payable aging for old or duplicate items	Bookkeeper	Done
Review			
Day 7	Review trial balance for unusual balances	Finance Director	Not started
Day 8	Write variance notes for lines that meet the policy	Finance Director	Not started
Day 8	Update the 13-week cash forecast	Finance Director	Not started
Reporting			
Day 9	Build the board financial packet	Finance Director	Not started
Day 10	Send the packet to the finance committee	Executive Director	Not started
Day 10	Lock the period in QuickBooks with a closing date password	Finance Director	Not started

Policy FIN-04

Owner	Finance Director
Effective	July 1, 2026
Next review	June 2027

Cash Receipts and Deposits

1. Purpose

This policy explains how Larkfield Community Partners receives, records, and deposits money so that every gift and payment reaches the bank and is recorded correctly. It applies to checks, cash, online gifts, and electronic payments from funders and customers.

2. Receiving checks and cash

2.1 The office manager opens all mail on the day it arrives. When an envelope holds cash, a second employee counts it with the office manager and both people initial the receipts log.

2.2 Every check and every amount of cash is listed on the receipts log with the date received, the payer, the amount, the check number, and any purpose the donor wrote on the check or letter.

2.3 Checks are stamped "For deposit only" with the organization's bank stamp as soon as they are logged. Until they are deposited, checks and cash stay in the locked cash box in the finance office.

2.4 Staff who receive money in person, such as program fees at a site, give the payer a numbered receipt and turn the money and the receipt copy in to the office manager the same day.

3. Making deposits

3.1 The office manager makes deposits at least twice a week, and on any day when receipts on hand total more than \$2,500. Checks are scanned through the bank's remote deposit service. Cash is taken to the bank by two employees.

3.2 Scanned checks are kept in the locked cabinet for 60 days and then shredded. The deposit confirmation is attached to the receipts log page for that deposit.

4. Recording receipts

4.1 The bookkeeper records each deposit in QuickBooks from the bank confirmation and a copy of the receipts log, using the correct program class and revenue account.

4.2 The development coordinator records gifts and pledges in the donor database and sends a written acknowledgment within five business days. The IRS requires a written acknowledgment for any single contribution of \$250 or more before a donor can claim the deduction, and this policy applies the same timely letter to every gift.¹

4.3 Any gift that comes with donor instructions limiting how it may be used is marked as restricted on the receipts log. The finance director records it as a contribution with donor restrictions and adds it to the restricted funds tracker.

5. Online gifts and electronic payments

5.1 Online gifts arrive through the giving platform, which pays out to the operating account. The development coordinator downloads the platform's monthly payout report, and the finance director matches each payout to the bank and to QuickBooks.

5.2 Government reimbursements and other ACH payments are matched by the finance director to the invoice they pay. Any payment that cannot be matched within five business days is reported to the executive director.

6. Independent verification

6.1 Each month the finance director compares the receipts log, the bank deposits, QuickBooks, and the donor database. Differences are investigated within five business days and the result is written on the reconciliation.

6.2 The finance director does not open mail, prepare deposits, or record deposits, which is what makes this comparison independent. The executive director reviews and initials the monthly reconciliation.

7. Things staff may not do

No employee may cash a check made out to the organization, deposit organization money into any other account, keep receipts in a desk or vehicle overnight, or make change or pay expenses from money received.

¹ Source: Internal Revenue Service, "Charitable contributions: Written acknowledgments," [irs.gov](https://www.irs.gov).

Policy FIN-05

Owner	Finance Director
Effective	July 1, 2026
Next review	June 2027

Disbursements

1. Purpose

This policy explains how payments are requested, approved, made, and recorded, so that the organization pays only for goods and services it ordered and received, at the approved amount, from the budget line the board approved.

2. Requesting a payment

2.1 Every payment starts with a check request that includes the original invoice or receipt, the program and general ledger account to charge, and the name of the person requesting it. Staff reimbursements also need itemized receipts and, for mileage, a trip log.

2.2 The person requesting a payment confirms that the goods or services were received. A request without an invoice is returned unless the executive director approves the exception in writing.

3. Approving a payment

3.1 Payments are approved according to the board's approval authority table. Budgeted purchases up to \$2,500 are approved by a department director, up to \$10,000 by the finance director, up to \$25,000 by the executive director, and above \$25,000 by the executive director and the board treasurer.

3.2 Unbudgeted spending above \$5,000 needs finance committee approval before the organization commits to it. No one may approve a request they submitted or a payment to themselves.

4. New vendors and changes to bank details

4.1 A new vendor needs a signed W-9 before the first payment. The finance director approves each new vendor.

4.2 A request to change a vendor's bank account is confirmed by phone at a number already on file, never at a number given in the email or letter asking for the change. The executive director reviews the QuickBooks vendor change report each month.

5. Making payments

5.1 The bookkeeper enters approved bills each week and prepares one payment run each Thursday. Blank check stock is kept locked by the office manager, who logs the check numbers released for each run.

5.2 Authorized signers are named by board resolution. One signature is required up to \$5,000 and two above \$5,000. Signers review the invoice and approval before signing, never sign blank checks, and never sign a check made out to themselves. Signature stamps are not used.

5.3 ACH payments are prepared by the bookkeeper and released in the bank portal by the executive director. Payments above \$5,000 also need the board treasurer's approval in the portal.

6. Credit cards

Cards are issued to the executive director, the finance director, and the office manager. Receipts are turned in within five business days of each purchase. The finance director reviews every statement, and the board treasurer reviews the executive director's statement.

7. Records and monthly review

7.1 Paid invoices are marked with the payment date and check or ACH number and kept for seven years.

7.2 Each month the board treasurer reviews the check register and cleared check images, and the finance director reviews the check request log for exceptions. Exceptions and how they were resolved are reported to the finance committee.

Adopted by the Board of Directors

Date: _____

Board secretary: _____

Questions for the finance committee

The finance committee can use these questions at each meeting to confirm the controls in this guide are working. Each one points to a place in the toolkit workbook where the answer can be found.

Question for the committee	Where to look
Were all bank accounts reconciled for the month, and did the executive director review each reconciliation?	Month-End Close, cash tasks
Did the receipts log, the deposits, QuickBooks, and the donor database agree, and were any differences explained?	Month-End Close, revenue tasks
Did any payment request skip a required approval, lack a second signature, or have no invoice?	Check Request Log, exceptions column
Were any vendors added or bank details changed, and were the changes confirmed by phone?	Vendor change report and Duties Matrix, vendor setup
Has anyone's job changed in a way that gives one role two incompatible duties?	SoD Conflicts
Are the compensating controls for known conflicts still being done each month?	SoD Conflicts, compensating controls
Was any unbudgeted spending over \$5,000 approved by the committee before it was committed?	Approval Authority and Check Request Log
Did the close finish within ten business days, and which tasks ran late?	Month-End Close, flag column

Monthly review of the check request log

The workbook tests every March payment request against the approval rules. Five of forty requests need follow-up before the April finance committee meeting.

Request	Payee	Amount	Exception
CR-26-305	Hillcrest Foods Wholesale	\$9,812.40	Approver below required level.
CR-26-310	Keystone Insurance Agency	\$14,200.00	Missing second signature.
CR-26-314	Northline IT Services	\$2,400.00	Requester approved own request.
CR-26-318	Grandview Event Center	\$26,800.00	Paid before approval.
CR-26-323	Lantern Print Shop	\$2,315.75	No invoice attached.

Annual review

Once a year, and whenever a finance or management position changes hands, the finance director updates the duties matrix, confirms the list of authorized signers with the bank, and brings any changes to the approval table or policies to the finance committee. The committee then recommends the updated documents to the full board for adoption.