



INTERNAL CONTROLS POLICY

Policy Statement

The Board of Directors, Executive Director and staff of LPDO are responsible for the prevention and detection of financial and asset fraud. All parties should be familiar with the types of fraud that might occur and should be alert for any indication of fraudulent activity.

Scope

This policy applies equally to any fraudulent activity involving not only employees but also directors, vendors, outside agencies, and/or unknown parties; without regard to length of service, title/position, or relationship with the Lubbock Private Defenders Office. These systems will not only relate to accounting and reporting but also will relate to LPDO communication both internal and external which includes handling of funds and expenditures and timely financial reporting to Board Members and County Officials.

This Internal Control Policy adopts but is not limited to the following key elements:

1. Prevention Controls
2. Detection Controls
3. Monitoring Controls

Actions Constituting Fraud

The term fraud, misappropriation and irregularities refer to, but are not limited to:

1. Any dishonesty or fraudulent act
2. Misapplication of funds or assets
3. Destruction or deletions of records or historical archives
4. Disclosure of confidential information
5. Forgery or alteration of any documents
6. Impropriety in reporting transactions or perceived fraud
7. Any similar of related irregularity

Non-fraud Irregularities

Allegations of improprieties in question whether moral or behavioral, should be resolved by Executive Director.

Reporting Structure

A formal reporting structure is adopted and incorporated by reference in this policy. Its purpose is to encourage reporting of any individual of any suspected fraudulent activity. (See reporting mechanism) Any individual making a notification in accordance with the “Reporting Mechanism” is protected by whistle-blower provisions. An individual should not attempt to self-investigate a suspicion or allegation of fraud.

Investigation and Authorization

Upon receipt of a fraudulent activity allegation, LPDO Board Members and Executive Staff must investigate specific allegations and may use internal or external investigative resources. Referrals to appropriate prosecuting authorities will be made in conjunction with Executive Staff and LPDO Board Members.

Individuals responsible for performing fraudulent investigations may have access and take control over the organization’s records, banking software and any other form of necessary material needed to complete a thorough investigation.

Good Faith

Fraudulent reporting must be made acting in good faith and have reasonable ground for believing the information provided. Malicious or false reporting will not be tolerated and will be responded to with disciplinary action.

Whistle-blower Protection

LPDO may not retaliate against a whistle-blower for reporting an activity which that person believes to be fraudulent or dishonest. Retaliation can be evidenced by the intent of adversely affecting the terms or conditions of employment (including, but not limited to, threats of physical harm, dismissal, transfer to an undesirable job assignment, demotion, suspension, or impact on salary or wages). The whistle-blower is defined as an employee who reports allegations of fraud in accordance with the provisions of the Fraud Reporting Policy.

Prevention, Detection and Monitoring Controls

Prevention control methods apply to the organization’s check processing, employee reimbursements, establishment of “new vendors”, ACH/EFT processing, cash handling and employee payroll processing.

Prevention

All employees of LPDO will undergo a training that defines and describes what constitutes fraud within an organization. Upon hiring, employees will sign acknowledgment of the Lubbock Private Defenders' Office "Internal Controls Policy". Periodic and anti-fraud training will be presented and administered as needed. Fraud awareness will be on-going within the organization.

Check processing - The use of paper checks should be limited to vendors or contract services where an EFT is not practical. Blank checks will be stored in a controlled environment that is locked nightly. The individual responsible for accounting (posting and reconciling of transactions) will not have any check signature authority. Checks that will be paid in or excess of \$5,000.00 are subject to a dual executive signature approval process.

Payroll Processing – Lubbock Private Defenders' Office prohibits payroll advances. In the event an employee needs a travel advance for organization related training, a travel advance must be pre-approved by Executive Director and will accompany any EFT disbursement.

Pre-payroll register will have a dual-review process that will be conducted by Executive Assistant and Administrative assistant. Prior to submitting payroll, the Executive Director or in his absence the Director of Professional Development is responsible for approving payroll. Any employees paid on hourly bases will have hours reviewed and approved prior to payroll processing. Periodic reviews of payroll transactions should be performed by an LPDO employee other than the processing individual. Any deviations from routine payroll must be approved by Executive Director. External payroll processing agencies do not have authority to approve "special" transactions.

ACH/EFT Disbursement Process – Any ACH/EFT disbursements made to pay vendors or employees will be processed with invoice along with date, amount and method of payment disbursement. Payments that are processed through City Bank will need a secure token number in order to submit payments. Only individuals with VIP access from City Bank may generate token numbers and will only disclose token numbers once pending payments have been reviewed. Individuals generating token numbers may not prepare payments. This process should remain a dual – review process to sustain a controlled and monitored environment for fraud prevention.

New Vendors – Establishment of new vendors will undergo vendor validation prior to being entered into LPDO's list of approved vendors. Any employees that establish themselves with a service of outside vendor support will need to complete a "Conflict of Interest" form prior to being approved as a vendor.

Monthly bank reconciliation – LPDO administration will perform electronic bank feeds into each financial account in QuickBooks. Performing bank feed downloads ensures accurate matching / reconciliation of transactions into QB registers. A review of the prior month's expenditures will be conducted and completed within the first 10 business days of the following month. A written record of this review will be maintained and reported at board meetings.

Suspension/Termination

During any investigation of fraud, the individual under investigation may be suspended or immediately terminated. Fraudulent activities will be prosecuted to the fullest extent of the law.

Framework

Internal financial controls and risk management are integral operational framework of the Lubbock Private Defenders' Office. The processes listed are designed to protect the assets of the organization. Fraudulent monitoring is expected to remain efficient, attentive and on-going. Improvement and operational efficiency provide the organization with the ability to expand while maintaining adequate framework for fraud prevention and detection.

Acknowledgment and Signature

I have read and understand the contents of this fraud policy.

Signature

Date

REPORTING MECHANISM

LPDO establishes the following reporting mechanism. Any individual who has knowledge of any suspected fraudulent activity is responsible for reporting these suspicions. The reporting process is as follows:

Reporting is not limited to this form however, a report of fraud needs to be documented. Email or paper submission is acceptable.

Please report the following:

Individual suspected of fraud:

Date and time(s) fraud occurred:

Nature of the allegation:

Please submit report directly to President of LPDO Board of Directors.

Acknowledgment and Signature

I have read and understand the contents of this fraud reporting policy.

Signature

Date

New Vendor Establishment

Vendor Information	Validation Procedures			
	Documents or Procedures Performed			
Vendor Name:				
Taxpayer ID#:				
Payee Name:				
Duplicate Name Search:				
Primary Phone:				
Fax No.:				
Website:				
<u>Physical Address:</u>				
Address:				
City:				
State:				
Zip Code:				
<u>Mailing Address:</u>				
Address:				
City:				
State:				
Zip Code:				
Duplicate Address Search:				
Contact Person:				
Contact E-mail:				
<u>Expected Transactions:</u>				
<u>Vendor Relationships:</u>				

Conflict of Interest Form

To be completed annually by all employees, owners, and members of the governing body. If there are any questions as to what category a relationship should be included, select one and management shall determine any necessary reclassifications.

Name: _____
Title: _____ Signature _____

Please provide individual names, company names, and the nature of the relationships that may exist with organizations that our company does business with or that you could reasonably expect our company could potentially enter into a relationship with, as relates to:

Family Relationships:

Personal Relationships:

Business Relationships:

Financial Relationships: