MONTANA CHILD CARE BUSINESS CONNECT

Small Business Support. Big Community Impact.

Financial Controls Checklist

Prepared by:

Marguerite Thordarson

Business Advisor

Rocky Mountain Women's Business Center

https://www.acceleratemt.com/

marguerite.thordarson@acceleratemt.com

Jason Nitschke

Senior Child Care Business Advisor

Montana Childcare Business Connect

Zero to Five Montana

JasonN@ZerotoFive.org

(406) 402-2455

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SYSTEM OF FINANCIAL CONTROLS

ACCOUNTING STANDARDS

Knowledgeable staff who are accountable and responsible for the implementation of the adopted accounting standards.

- Using Cash Basis Accounting
- Bookkeeper:
- Duties include accounts payable, accounts receivable, sales data entry, payroll, tax liability payments, bank account reconciliation, financial statement creation

FINANCIAL STATEMENTS

Knowledgeable staff who are accountable and responsible for the implementation of the adopted accounting standards.

- Produced monthly by Bookkeeper
- Reported monthly to Owner and Operations Manager by the 15th of the following month
  - Income Statement
  - Balance Sheet
  - Cash Flow Statement

OPERATING METRICS

Delivery of timely and accurate Operating Metrics.

- Production
  - Produced monthly by Operations Manager
    - Output report
    - Labor efficiency metrics
    - Cost/Unit – Margin/Unit
    - Inventory reconciliation reports
    - Sustainability metrics
- Sales
  - Produced monthly by Retail Manager
    - Sales metrics of product segments
    - Labor to Sales comparisons
    - Cash Receipts reconciliation reports
- Reported monthly to Owner, by the 15th of following month

POLICIES

Policies around general ledger, chart of accounts, recognition of revenue, reconciliations, invoicing, payment processing, inventory and asset management.

- General Ledger
  - Closing entries performed monthly and annually by Bookkeeper
  - Adjusting entries performed by Bookkeeper, authorized by Owner
- Chart of Accounts
  - Selected by Accountant and Owner
  - Maintained by Bookkeeper
- Revenue Recognition
  - POS closing reports calculated by Retail Staff
  - Sales data entered weekly by Bookkeeper
- Reconciliations
  - Performed monthly by Bookkeeper
  - Reported monthly to Owner
- Payment processing
  - POS system
  - Cash
  - Check
  - Credit Card machine
- Inventory and Asset Management
  - Purchase request created by Inventory Manager
    - Approved by Operations Manager
  - Purchase order created by Inventory Manager
    - Order placed by Purchaser
  - Inventory received by Receiver
    - Imported into software by the Inventory Manager
  - Purchase order, bill of lading, and invoice
    - Collected and authorized by Inventory Manager
    - The approved invoice is paid by the Bookkeeper
- Technology
  - Inventory Management Software:
  - Point-of-Sale Software:
  - Financial Software:
- Production Facility
  - Multi-room, restricted areas
  - Security system, entry code, restricted areas
  - Video surveillance on all inventory assets
- Retail Facility
  - Multi-room, restricted areas
  - Combinations for safes held by Managers
  - Security system, codes held by Managers
  - Video surveillance on all inventory assets

SEGREGATION

Clear segregation of duties between sales and revenue recognition.

- Sales
  - Data captured through POS system
  - Retail Staff closing duties
    - Drawer count
    - Calculation and Reconciliation of sales report
    - Cash Deposit, locked in safe
- Revenue Recognition
  - Sales Reports submitted to Bookkeeper
  - Bookkeeper duties
    - Sales data entry to Revenue Accounts
    - Reconciliation of Bank Account to cash deposits

RESPONSIBILITIES

Clearly defined responsibilities.

- Cash Receipts
  - Possession
    - Retail Staff receives cash into the drawer
  - Authorization
    - Retail Supervisor performs Cash Receipts reconciliation
    - Retail Manager approves and makes the bank deposit
  - Documentation
    - Bookkeeper receives cash reconciliation report
- Cash Disbursements
  - Possession
    - Bookkeeper receives invoices from vendors, requests authorization to pay
  - Authorization
    - Owner authorizes payment over $500
    - Manager can authorize payments under $500
  - Documentation
    - Bookkeeper keeps financial records in software
- Inventory
  - Possession
    - Production Staff in Production
    - Retail Staff in Retail
  - Authorization
    - Inventory Manager can authorize the receipt of Inventory
  - Documentation
    - Inventory data analyzed and maintained by Operations Manager
    - Inventory counts performed to reconcile Inventory on record

RECONCILIATION

Regular reconciliations on bank statements

- Monthly bank reconciliations performed by Bookkeeper
  - Reported to Owner for authorization by 15th of the following month

APPROVAL

Approval processes on certain procedures.

- Cash Receipts
  - Retail Supervisor performs Cash Receipts reconciliation, bank deposit
- Cash Disbursements
  - Owner authorizes payment over $500
  - Retail Manager can authorize payments under $500
- Inventory
  - Inventory Manger can authorize receipt of Inventory
  - Owner must approve adjustments to Inventory Software

DISBURSEMENT POLICIES

Validation on cash disbursements; payroll audits.

- Payroll
  - Timecards are submitted by Staff to Manager
    - Manager authorizes hours and submits to Bookkeeper
  - Payroll performed semi-monthly by Bookkeeper
    - Payroll report submitted by Bookkeeper to Owner for review
  - Owner authorizes Cash Disbursements for Payroll
    - Bookkeeper performs payroll Cash Disbursements
  - Other Cash Disbursements
    - Invoices received by mail or email and authorized to pay by Manager
    - Cash Disbursements under $500 can be performed by Manager or Bookkeeper
    - Cash Disbursements over $500 require authorization by Owner

AUDIT TRAIL

Audit records are created and retained for payroll, cash disbursements, and inventory.

- Payroll Audit Records
  - Timecard audit performed by Retail Manager and Bookkeeper
  - Payroll audit performed by Bookkeeper and Owner
  - Payroll Audit Records retained on file for 7 years
- Cash Disbursements
  - Bank Reconciliations performed by Bookkeeper
  - Cash Disbursement audit performed by Bookkeeper and Owner
  - Cash Disbursement Audit Records are retained on file for 7 years
- Cash Receipts
  - Closing Retail Staff performs Cash Audit; reconciliation of Cash Deposit to Sales Report
  - Cash Deposit kept in safe, taken to the bank by Retail Manager or Owner
  - Sales Report submitted to Bookkeeper
  - Bank Reconciliation performed by Bookkeeper, reviewed by Owner
  - Cash Receipts Audit Records are retained on file for 7 years
- Inventory
  - Inventory Management software retains expected Inventory levels
  - POS data records the sale of Inventory
  - Inventory Count performed by all Staff
  - Reconciliation of Inventory Software to Actual Count
  - Inventory Audit Records are retained on file for 7 years

INFORMATION SECURTIY

Access to financial information is restricted to authorized personnel.

- Financial Software
  - Only Bookkeeper authorized to use
- Financial Analysis
  - Only Operations Manager authorized to access

For additional assistance with your childcare business, contact Zero to Five Montana's Senior Child Care Business Advisor Jason Nitschke at JasonN@ZerotoFive.org or Marguerite Thordarson with the Rocky Mountain Women's Business Center at Accelerate Montana.

DISCLAIMER: Staff at Montana Child Care Business Connect and Zero to Five Montana do not provide legal or tax advice. Please consult a qualified professional when making these types of decisions.

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