

Appendix D – Internal Controls

Cash Disbursements

- Physical access to unused checks should be restricted
- Preparer of checks should not have signature authorization (or signature stamp or pre-signed checks)
- If a mechanical signer is used, custody should be limited and secured
- Check signers should not prepare bank reconciliation
- Checks should be sequentially numbered and filed
- Require periodic vacations of all people with financial responsibility
- Supporting documentation should contain authorization of responsible individual
- Payments should be made based on original invoices, properly authorized and immediately canceled and filed
- Voided checks should be kept and filed in sequential order
- Checks should be immediately forwarded to the payee after signature

Receipts

- Undeposited funds should be kept in a safe or locked, fire-proof drawer
- Checks should have a restrictive endorsement stamped immediately upon receipt
- Prenumbered receipts should be initialed and dated by individual receiving the money
- Make regular (daily) deposits
- Bank receipts should be mailed to a person other than the individual making the deposit
- Two unrelated individuals should count cash and initial and date supporting documents

Other Cash Controls

- Maintain fidelity bond coverage
- Check the security of the bank being used
- Keep only a reasonable number of bank accounts
- Unused accounts should be immediately closed
- Prompt bank reconciliations done by someone unrelated to the accounting process. Bank statements should be received by this person unopened.
- Old outstanding checks should be investigated and resolved

Payroll

- All hiring and personnel changes such as promotions and terminations are conducted in accordance with company policy
- Payroll and personnel information is kept very confidential with access allowed only to authorized personnel
- Salary levels and salary changes are approved
- Employee job descriptions are maintained to comply with applicable federal laws
- Employee files are appropriately maintained with all necessary documents such as W-4's, I-9's, and benefit plan elections included and appropriately updated
- Payroll is prepared based on properly documented timesheets or other attendance record
- Payments for overtime pay are to be properly approved
- Vacation, holiday, and sick pay are accurately tracked
- Employee names and pay rates should be verified with each payroll run
- The individual who signs payroll checks should be different than the person who prepared the payroll
- A master schedule of payroll and unemployment filings should be prepared to ensure that they are properly made to the various taxing authorities
- Adopt procedures for the periodic review of benefit plans to ensure that they are in compliance with applicable laws and regulations
- Reconcile salary and benefit expense recorded in the general ledger with payroll information reported to the IRS.