

SUGGESTIVE INTERNAL CONTROL PROCEDURES OF UNITS WITH LIMITED NUMBER OF PERSONNEL

GENERAL CONTROLS – Those that can be applied to all areas of a governmental unit.

- A. Plan of organization – A plan of organization should be developed and communicated to all parties involved (governing body, finance officer, and anyone else elected or employed). This plan should include:
 - 1. Clear lines of authority and responsibility
 - 2. List of positions
 - 3. Duties of each position
 - 4. Criteria to be observed by employees in initiating transactions
- B. Governmental units should employ personnel with the ability and experience required to perform satisfactorily the responsibilities assigned to them. This includes continuing education for present employees.
- C. Active participation by the governing body in key functions is necessary for good internal controls. Personal investigation of complaints may help locate problems or areas needing improvement.
- D. Monthly reports must be presented to the Board and reviewed by the Board. These reports at a minimum should reflect the budget and actual revenues and expenditures.
- E. All employees should be required to take annual vacations. During their absence, their duties should be performed by another person.

SPECIFIC CONTROLS – Those that can be applied to the specific function performed.

CASH MANAGEMENT

Procedures

- 1. All bank accounts should be authorized by the governing body.
- 2. Bank accounts should be properly collateralized in accordance with G.S. 159-31(b).
- 3. Bank accounts should be reconciled promptly after the end of each month by someone who does not participate in other cash procedures including handling currency, receipts or signing of checks.
- 4. Unopened bank statements should be delivered directly to the individual making the reconciliation.
- 5. The bank should be instructed to contact an authorized official who is independent of the recordkeeping and cash receipting functions for unusual items such as insufficient funds notice.
- 6. All wire transfers should be authorized by a responsible official.

Duties

1. Board member should be notified by the bank for unusual items, such as insufficient funds.
2. Make all wire transfers.
3. Review bank accounts for proper collateralization.
4. Receive unopened bank statement.
5. Perform bank reconciliation every month and check for the following:

A. Deposits

- (1) Compare dates and amounts of daily deposits as shown on the bank statement with the cash receipts journal.
- (2) Investigate bank transfers to determine that both sides of the transaction have been recorded on the books.

B. Disbursements

- (1) Account for sequence for check numbers including all voided checks.
- (2) Examine cancelled checks for authorized signatures.
- (3) Examine cancelled checks for irregular endorsements.
- (4) Examine cancelled checks for alterations.

Segregation of Duties

One position:	Board Member
Finance Officer	Who does not sign checks
(2) (3)	(1) (4) (5)

Two positions:		
Accounting Clerk	Finance Officer	Board Member
(4) (5)	(2) (3)	(1)

CASH DISBURSEMENTS - NONPAYROLL

Procedures

1. Prenumbered checks should be used for all disbursements.
2. The supply of unused checks should be adequately controlled and safeguarded.
3. Voided checks should never be destroyed or thrown away. The signature space should be cut off the voided check. All copies of the check should be filed in numerical order with check copies.

4. All paid invoices and vouchers effectively stamped “paid” to prevent re-use.
5. Payment of photocopied invoices or statements should be prohibited; pay only from original invoices.
6. The practice of signing blank checks in advance should be prohibited.
7. The practice of making checks to the order of “cash” should be prohibited.
8. The proper authority should approve all expense reports.
9. The local unit needs to maintain effective control over mailing or distribution of checks after they are signed. (Checks should not be handed back to persons who prepared checks for distribution; person signing checks should distribute.)
10. Local unit should require a second signature of an official or employee who does not have access to the accounting records on all disbursements. (The purpose of this internal control procedure is defeated if one employee or official possesses a stamp or signature plate of the other individual required to sign checks.)

Duties

1. Initiate purchase.
2. Type purchase order (at least original and one copy).
3. Review and approve purchase order by signing preaudit certification. [G.S. 159-28 (a)].
4. Sign off on copy of purchase order for receipt of goods after comparing purchase order to goods received.
5. Match invoice to copy of purchase order and compare goods received report to invoice (mathematical check of footings).
6. Prepare and review check.
7. Review documentation and sign check.
8. Present purchase order, receipt report, invoice, check and addressed and stamped envelope for second signature.
9. Review supporting documentation, sign check, mail check to vendor, and return supporting documentation to accounting clerk.

Segregation of Duties

One position:	Board Member
Finance Officer	Who does not sign checks
(2) (3) (4) (5) (6) (7) (8)	(1) (9)

Two positions:		
Accounting Clerk	Finance Officer	Board Member
(2) (4) (5) (6)	(1) (3) (7) (8)	(9)