

Introduction to Internal Controls

Accounts Payable (USFR VI-G)

- The district should separate the responsibilities of expenditure processing (voucher preparation, recordkeeping, and authorization) among employees. If this is not possible due to the district's limited staff size, adequate review procedures by district management should be in place. One person should not have the authority or ability to complete a transaction on their own.
- A sequentially numbered purchase requisition should be prepared by the requestor.
- The district office will review the requisition, determine if there is budget/cash capacity for the expenditure, and perform the proper procurement procedures (quotes, bids, etc.) if applicable.
- The district must ensure that there is sufficient budget capacity for budget-controlled funds or cash balances for cash-controlled funds prior to authorizing expenditures.
- The district office will then issue a purchase order, at which point the goods/services can be ordered. No purchases should be made prior to the issuance of the purchase order.
- After the goods/services have been received, the original requestor should verify the receipt of the goods/services, and the invoice will be submitted to the district office for payment.
- Ultimately, the district's governing board will review and approve the vouchers on a monthly basis.

Payroll (USFR VI-H)

- The district should have payroll and personnel policies established, as well as a salary and wage schedule.
- Each employee should have a contract or personnel/payroll action form (PAR) in their file, which prescribes their annual salary or hourly rate, depending on their position.
- These forms should be approved by the appropriate level of management or governing board, depending on the position.
- Hourly employees should prepare their timecards in accordance with the Fair Labor Standards Act and approved by both the employee and their direct supervisor. Any overtime hours should be approved in advance.
- Payroll registers should be prepared for each pay period and reviewed by someone other than the preparer to ensure that all employees are paid in accordance with their contracts or hours worked, and that all taxes and other withholding are correct prior to submission to the county for processing.
- Similar to accounts payable vouchers, the governing board will review and approve the payroll vouchers on a monthly basis.

Cash Receipting (USFR VI-F)

- When cash is received by the district (auxiliary operations, extracurricular tax credit receipts, food service sales, student activities being the most common), a receipt should be issued to the payor and a copy retained by the district, or a cash collection should be prepared.
- A summary of cash receipts should be prepared by the cashier, reviewed for clerical accuracy, reconciled against the receipts issued, food sold, tickets sold, etc., and signed off on.

- A second person (generally a supervisor) will recount the money and reperform the reconciliation. They will sign off documenting their review and the monies should be deposited to the county treasurer or to the appropriate district bank account.
- All monies received should be deposited within seven days. There is no exclusion for weekends or holidays.

Adjusting Journal Entries (USFR VI-B)

- Adjusting journal entries (AJEs) can be made for a variety of reasons including correcting posting errors, reclassifying revenues or expenditures, or posting accruals at year end.
- Every AJE should be proposed/prepared by one person and reviewed by a second person. The reviewer should review the entry and supporting documentation, then sign and date the journal entry, documenting their review.
 - *Example: The business manager prepares the entry, and the superintendent reviews and signs off on the entry.*
- Every AJE should have the supporting documentation maintained with the entry and no entries should be posted without additional review procedures. Failure to do so will result in USFR findings and a material weakness reported in the financial statements.

John Dominguez, CPA, CFE, CGMA

Partner, CWDL

jdominguez@cwdl.com

619.729.7069