Internal Controls for Cash Disbursements Leslie E. Richard, CPA Division of Local Government and School Accountability NYS COMPTROLLER THOMAS P. DINAPOLI

Learning Objectives

- Definition
- Responsibility
- Origins and Framework
- Cash Disbursement Controls
- Available Tools
- Audit Findings





Internal Controls

"A process, affected by an entity's board of directors, management and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in effectiveness and efficiency of operations, reliability of financial reporting, and compliance with applicable laws and regulations."



Responsibility

- Who is responsible for implementing internal controls?
 - Management Including the Governing Board
- Who is responsible for monitoring internal control compliance?
 - Management Including the Governing Board
- Who is responsible for following internal controls?
 - Everyone!



Origins and Framework

- The Committee of Sponsoring Organizations (COSO) of the Treadway Commission
- · Five elements of internal controls
 - Control environment
 - Risk assessment
 - Control activities
 - Communication
 - Monitoring



Control Environment

- "Tone at the top"
 - The governing board sets the proper tone for the control environment when it establishes and communicates a code of ethics, requires ethical and honest behavior from all employees, observes the same rules it expects others to follow, and requires appropriate conduct from everyone in the organization.



Control Environment

- Communicating expectation for handling cash disbursements
- Requiring employees to adhere to legal and policy requirements for paying claims and electronic transfers and wires of cash
- Performing an adequate review of reports and supporting cash disbursement records completed by employees, including management

THOMAS P. DINAPOLI

Risk Assessment

Identify those events, conditions or risks that could significantly affect the achievement of the organization's objectives.



Risk Assessment

- Opportunity
 - Access to system changes, lack of oversight
- Unfamiliarity
 - Changes to processing procedures, new financial software and system updates
- Complexity



Risk Assessment

- Change
 - Turnover in positions, changes to employees' positions, financial software, online banking
- · Rapid Growth
 - Fast growth without increased staff/resources



Understand the Risk

- Fraud Triangle Pressure, rationalization and opportunity
- Focus on what you can control Opportunity
- Understand your process, ask questions and limit opportunity
- Inherent Risk Higher opportunity with liquid assets, such as cash



Cash Disbursements Risk

- Theft
- Abuse
- Inaccurate reporting to the governing board
- · Unauthorized payments
- Incomplete or untimely recording



Cash Disbursements Process

- · Paying claims
- Documenting the transaction
- Safeguarding check stock
- Authorizing electronic transfers and wires
- Recording in the accounting records
- Reconciling the accounting and banking records
- Reporting to the managing board
- Monitoring and audits



Determine Risks by Asking Questions

- Who is authorized to sign checks?
- Who is authorized to initiate and approve electronic transfers and wires?
- Who is responsible for processing, recording and disbursing cash?
- Are bank reconciliations completed and reviewed?
- Could unauthorized payments be made?



Control Activities

Policies and procedures designed by management to help ensure that the organization's objectives and goals are not negatively impacted by internal or external risks



Cash Disbursements Control Activities

- Directive controls:
 - Job description, policies and procedures
- Preventative controls:
 - Segregation of duties, computer access
- Detective controls:
 - Bank reconciliations, certification of claims, audits
- Corrective controls:
 - Employee training, disciplinary measures



Understand the Need for Controls

Check Preparation Procedures

2-1-1 Assign an employee not responsible for check preparation to order checks, inventory them, and to identify reasons for gaps in the numbering sequence. Issue pre-numbered checks in sequence.

2-1-2 Keep blank checks and check stock secure at all times.

2-1-3 Make checks payable to a specific payee or custodian - never to "cash" or "petty



Check Signing Procedures

2-2-1 The official responsible for check preparation and signing should not have the authority to solely (or individually) audit and approve claims for payment.

2-24 Electronic signature disks or other forms of facsimile signatures should be secured in a locked location under the control of the signatory. Signature disks or other facsimile signatures should only be used under the direct supervision of the official (or deputy) whose signature is on the disk.

Rasm for Control

A blank, signed check may be used for any purpose and for any amount. Signing a blank check increases the possibility that a check could be made payable to an unauthorized payee or for an unauthorized amount.

12.1 About the state of the sta					
New Control Control 324 A place and the proposed and an analysis of the proposed and an analysis of the proposed and analysis of the proposed analysis of					
Here Control Extraction 14.2 - September 1.	Reason for Control				
Note: The state of the control of th					
sets by any compression of the control of the contr					
the Transfer interest of the control	2-3-1 A petty cash fund must be established (increased or decreased) only in accordance with legal requirements, generally, by resolution of the governing board. The resolution should establish the custodian and amount for the fund. Patty cash funds.				
Bible Builder Processor Well Linded Processo	should be authorized at the lowest amount practical.				
Similar formation for confined methods of proposed and section of the confined methods of the confined	Board authorization establishes accountability over the amount authorized for petty cash and designates the person responsible for safeguarding and maintaining petty cash records.				
was to be facility to the facility of the common of the co	2-3-2 Custody of the petty cash fund should be assigned to only one employee. As petty				
By Transfer. Providence Will Transfer. Providen	secure the fund in a locked location separate from other cash drawers.				
with Employee and production of the control of control of the cont	Having more than one person with access to the petry cash fund diminishes the accountability and security of this fund. Restricting access to the petry cash fund is the best way to prevent				
Objects only for die price on superconform death is marked to measure of the control of the cont	unauthorized use or theft of petty cash.				
Med. Transfer Revealed to the control of the contro	2.3-3 A voucher (or claim) requesting reimbursement of petty cash expenses should be submitted to the claims auditing body or claims auditing official, consistent with law. Original receipts for all petty cash expenditures should be attached to the you cher.				
did all and the group of the price of the control o	Reason for Control The examination of perty cash expenditures by the claims auditine body or claims auditine				
White Transfer Rimotocus 14.1 All to the transfer Rimotocus 15.2 All the transfer Rimotocus 15.2 All the transfer Rimotocus 15.3 All the transfer Rimotocus 15.4 All the transfer Rimotocus 15.4 All the transfer Rimotocus 15.4 All the transfer Rimotocus 15.5 All the transfer Rimotocus 15.5 All the transfer Rimotocus 15.6 All the transfer Rimotocus 15.7 All the transfer Rimotocus 15.8 All the transfer Rimotocus 15.8 All the transfer Rimotocus 15.9 All the transfer Rimotocus 15.9 All the transfer Rimotocus 15.9 All the transfer Rimotocus 15.0 A	official deters improper petty cash expenditures and ensures that requests for reimbursement are appropriate. Original receipts provide proof of what was purchased and are the basis for				
generate from the control of the con	2.34 The custodian of the petty cash fund should periodically reconcile petty cash				
With Transfer Procedures 24.1 All their members should be made at the dissection of the shift flexed officer or other edition being sensory of the months being debinant, or is a birth phase, by their state of the shift of the state of the	governing board.				
2-84 At less transfers should be marked a robe discretion of the failed feature affects on the discretion of the state of the failed features, and the discrete high produces, in the failed sections, and the state of the failed features, and the failed features and the failed feature	Reason for Control Periodic reconciliations ensure that all petty cash is accounted for.	19			
2-84 At less transfers should be marked a robe discretion of the failed feature affects on the discretion of the state of the failed features, and the discrete high produces, in the failed sections, and the state of the failed features, and the failed features and the failed feature					
2-84 At less transfers should be marked a robe discretion of the failed feature affects on the discretion of the state of the failed features, and the discrete high produces, in the failed sections, and the state of the failed features, and the failed features and the failed feature					
3-14 M wile transmitte should be market or the discretion of the district backets of the discretion of					
2-84 Af less transfers should be analyze free discretion of the staff field affilier or other different sperous is granted, documentation dealing the amount, propose, should be retained as a staff of the staff field affiliation of the staff field a					
2-84 Af less transfers should be analyze free discretion of the staff field affilier or other different sperous is granted, documentation dealing the amount, propose, should be retained as a staff of the staff field affiliation of the staff field a					
3-14 M wile transmitte should be marked or the distriction of the chall found affiliary or other different regions on a general, documentation declaring the amount, propose, and the chall found of the ch					
3-14 Me view transfer should be transfer or the distriction of the dis					
different herting contains of the monitors having distinguish absorance, by their monitors and decisions on the wise should be presented for ever-bes able documentation about the residued for earlies disprepales. Beautiful for extinct grant and proposes. Perspectived of the monitor of the wise should be recommended of monitors and the state of the stat					
and destination of the view bandle be greatered for review, Such documentation that for the configuration of the c	officer having custody of the monies being disbursed, or in their absence, by their				
Perspective of the standard demonstration will rather the reconnected or sens or final mercuring reported that the standard demonstration will report according any particular that the standard was defined under the process according any particular that the standard was defined under the standard and the standar	and destination of the wire should be presented for review. Such documentation				
is relevanted transfer. Georgially, were transfer search to subject and such as in Important of the first the substantian of the process and comments. 1.34 If their transfer software resides on a belock from the process of the pro	Reason for Control				
2-4.4 If saling in-booses who transfer software readers are shown in a boost has of doing recovered by the saling in-booses who transfer software, consider requising two passwords and interest to the provided by the saling in-booses who transfer software, consider requising two passwords to be provided before a view transfer can be executed. 2-4.4 If saling in-booses who transfer software, consider requising two passwords are software and the saling in-booses who transfer software, and the transfer software the saling in-booses who transfer software, consider requisiting two passwords to be by the saling in-booses who transfer software, consider requisiting two passwords are software to the saling in-booses who transfer software, consider requisiting two passwords are software to the saling in-booses who transfer software, consider requisiting two passwords are software to the saling in-booses who transfer software, consider requisiting two passwords are somewhat in the saling in-booses who transfer software, consider requisiting two passwords are somewhat in the saling in-booses who transfer software, consider requisiting two passwords are somewhat in the saling in-booses who transfer software, consider requisiting two passwords are somewhat in the saling in-booses who transfer software, consider requisiting two passwords are somewhat in the saling in-booses who transfer software, consider requisiting two passwords are somewhat in the saling in-booses who transfer software, consider requisiting two passwords are somewhat the saling in-booses who transfer software, consider requisiting two passwords to be provided before as we transfer can be executed. 2-4.4 Healing in-booses who transfer software, consider requisiting two passwords are somewhat software the sounds are somewhat soft	in electronic transfers. Generally, wire transfers cannot be easily retrieved, if at all, so it is				
the software resider in a school room if possible and with password procedure. Research of continuation of the continuation					
Remercing acres to compared with vier transfer software, the chief fincal efficer or other authorized administration of the Till particular solution in the Till particular solution of the Till particular solution of the Neuroleage-ball of sectional of solution of the Till particular solution of the Neuroleage-ball of sectional of of the Neuroleage-ball of the Neuroleage-bal	24-2 If wire transfer software resides on a local hard drive, secure the computer on which the software resides in a locked room if possible and with password protection.				
2.4.1 Husing in-house wire transfer software, consider requiring two passwords to be permitted of the software software processing the software	Restricting access to computers with wire transfer capability reduces opportunities for				
officer, and the FT department should be knowledgeable about application controls was allable in the outbrases. Note in controls, which a miles control is a state of the extended analysis. Beautiful Catell Application controls, such a miles control, such a state sevential, such as the prevent the assessment of size transfer under the prevention of the control of	unauthorized individuals to execute wire transfers.				
available in the software. Social applications controls, who has been control about the accusate of the scope of two the count of two transfer activity. Application controls, who has been controls, can be a to ground the accusation of wire transfer activity. The property of the property of the state o	2-4-3 If using in-house wire transfer software, the chief fiscal officer or other authorized officer, and the IT department should be knowledgeable about application controls				
Application counted, but a familic controls, can be set as prevent the execution of whe transfer number counted to the provide the production of the families of the provided the production of the families of the production of the families	available in the software. Such application controls should be activated at the levels				
unkes certain pre-catabilished conditions are next. 1 Control Manual for this touck is practice to decide the control of the state of	Application controls, such as limit controls, can be set to prevent the execution of wire transfers				
such dislancements are subject to task that or otherwise applicable in dislancements or states for a control of the control of	unless certain pre-established conditions are met.				
Agreement peaker or mot company conteming cream terms and condenses are took in security of the contemination of the bearing of the peakers of the contemination of the deconcessions and reporting of all wave or deconses transfer to the deconcessions and reporting of all wave or deconses transfer to the deconcessions and reporting of all wave or deconses transfer to the deconcessions and reporting of all wave or deconses transfer to the deconcessions and reporting of all wave or deconses transfer to the deconcessions and reporting of all wave or deconses transfer to the deconcessions of the peakers of the person of the peakers of the person peakers of t	⁵ General Municipal Law Section 5-a provides that, whenever an officer of a local government is authorized or directed to disburse or transfer funds in his or her custody, the officer may do so by means of an electronic or wire transfer. All				
2-4-4 If using in-house wire transfer software, consider requiring two passwords to be provided before a wire transfer none executed. Ratus for Lintal Dual passwords (eacenably different individually will prevent the person propring the wire transfer front transmitting withous supervisor approach, and the stransfer foot transmitting withous supervisor approach. 1-4-5 If using in-house wire transfer software, ensure that firewalls and intrustion detection capabilities are installed and working properly. Ratus for Lintal It is important to protect wire transfer computers from external intrusions by hackers. 1-4-6 If initiating wire transfers by telephone or fas, require the transmitting bank to confirm the amount and destination of the transfer by calling a supervisor or another employee before the wite is executed. Ratus for Land. Ratus for Land. Land Land. Lan					
2-44 If using in-house wire transfer software, consider requiring two passwords to be provided before a wire transfer can be executed. Basse for Lental Doal passwords (secendare) different substandard) will prevent the person preparing the wire transfer from transmitting in whoos superious approach. Tusing in-house wire transfer software, ensure that frewalls and intrusion detection capabilities are installed and working properly. Basse for Lental It is important to protect wire transfer computes from external straings bank to confirm the amount and destination of the transfer by calling a supervisor or another employee before the wire is executed. Basse facility Basse facilit	the bank or trust company provide to the officer ordering the transfer written confirmation of each transaction no later than the business day following the day on which the funds are transmitted. It further makes it a duty of the governing board to adors a swarm of internal controls for the documentation and recording of all wire or electronic transfers.	20			
Beaus for Castrol Beaus for Castrol Dual passwords (essexued by different individuals) will prevent the person preparing the wire transfer from transmitting it without supervisory approval. 24-5 If using in-house wire transfer software, ensure that firewalls and intrusion detection capabilities are installed and working properly. Beaus for Castrol It is important to protect wire transfer computers from external intrusions by backers. 24-6 If initiating wire transfers by telephone or fax, require the transmitting bank to confirm the amount and destination of the transfer by calling a supervisor or another employee before the wire is executed. Reass for Castrol By requiring the bank to confirm telephone or fax requests, the opportunity for a single employee to execute an improper or inaccurate wire transfer will be controlled. 24-7 Employees who execute wire transfers will be controlled. Bans for Castrol Bans for Castrol Supregiating the Execution of wire transfers from the recording and reconcilation functions provests usingle employee from controlling the execution, as compensating control, such as supervisory review of journal entries, should be considered. Bans for Castrol Supregiating the execution of wire transfers from the recording and reconcilation of wire transfers from the recording and reconcilation of wire transfers from the recording and reconcilation of wire					
be provided before a wire transfer can be executed. Reason for Cantral Dual passwords (executed by different individuals) will prevent the person preparing the wire transfer from transmitting a without supervisory approval. 24-5 If using in-house wire transfer software, ensure that firewalls and intrusion detection capabilities are installed and working properly. Reason for Cantral It is important to protect wire transfer computers from external intrusions by backers. 24-6 If initiating wire transfers by telephone or fax, require the transmitting bank to confirm the amount and destination of the transfer by calling a supervisor or another employee before the wire is executed. Reason for Cantral By requiring the bank to confirm telephone or fax requests, the opportunity for a single employee to execute an improper or inaccurate wire intensfer will be controlled. 24-75 Employees who execute wire transfers will be controlled. Some factor of the control, such as supervisory evicient to suggestate these duties, a compensating control, such as supervisory or operation of sucremental supervisors of journal entries, should be considered. Bases for Cantral Suggesting the Execution of wire transfers from the recording and reconclusion functions prevents a single employer for concerning, and reconclusion of wire process a single employer form controlling the execution, accounting, and reconclusion of wire					
Beaus for Castrol Beaus for Castrol Dual passwords (essexued by different individuals) will prevent the person preparing the wire transfer from transmitting it without supervisory approval. 24-5 If using in-house wire transfer software, ensure that firewalls and intrusion detection capabilities are installed and working properly. Beaus for Castrol It is important to protect wire transfer computers from external intrusions by backers. 24-6 If initiating wire transfers by telephone or fax, require the transmitting bank to confirm the amount and destination of the transfer by calling a supervisor or another employee before the wire is executed. Reass for Castrol By requiring the bank to confirm telephone or fax requests, the opportunity for a single employee to execute an improper or inaccurate wire transfer will be controlled. 24-7 Employees who execute wire transfers will be controlled. Bans for Castrol Bans for Castrol Supregiating the Execution of wire transfers from the recording and reconcilation functions provests usingle employee from controlling the execution, as compensating control, such as supervisory review of journal entries, should be considered. Bans for Castrol Supregiating the execution of wire transfers from the recording and reconcilation of wire transfers from the recording and reconcilation of wire transfers from the recording and reconcilation of wire					
Beause for Cantral Bull passwords (executed by different individuals) will prevent the person preparing the wire transfer front transmitting it without supervisory approval. 24-5 If using in-house wire transfer software, ensure that firewalls and intrusion detection capabilities are installed and working properly. Beause for Cantral It is important to protect wire transfer computers from external intrusions by hackers. 24-6 If initiating wire transfers by telephone or fax, require the transmitting bank to confirm the amount and destination of the transfer by calling a supervisor or another employee before the wire is executed. Beause for Cantral By requiring the bank to confirm telephone or fax requests, the opportunity for a single employee to execute an improper or inaccurate wire transfer will be controlled. 24-7 Employees who execute wire transfers will be controlled. Beause for Cantral Beause for Cantral Beause for Cantral Beause for Cantral Suggesting the Execution of wire transfers from the recording and reconcilation functions prevents a single employer form controlling the execution, and one present of journal entries or programment of the cantral of the cantral suggesting the execution of wire transfers from the recording and reconcilation of wire prevents a single employer form controlling the execution, and reconcilation of wire prevents a single employer form controlling the execution, and reconcilation of wire prevents a single employer form controlling the execution, and reconcilation of wire transfers from the recording and reconcilation of wire transfers from the recording and reconcilation of wire transfers from the recording and reconcilation of wire transfers to the control of wire transfers from the recording and reconcilation of wire transfers to the careful					
Beaus for Castrol Beaus for Castrol Dual passwords (essexued by different individuals) will prevent the person preparing the wire transfer from transmitting it without supervisory approval. 24-5 If using in-house wire transfer software, ensure that firewalls and intrusion detection capabilities are installed and working properly. Beaus for Castrol It is important to protect wire transfer computers from external intrusions by backers. 24-6 If initiating wire transfers by telephone or fax, require the transmitting bank to confirm the amount and destination of the transfer by calling a supervisor or another employee before the wire is executed. Reass for Castrol By requiring the bank to confirm telephone or fax requests, the opportunity for a single employee to execute an improper or inaccurate wire transfer will be controlled. 24-7 Employees who execute wire transfers will be controlled. Bans for Castrol Bans for Castrol Supregiating the Execution of wire transfers from the recording and reconcilation functions provests usingle employee from controlling the execution, as compensating control, such as supervisory review of journal entries, should be considered. Bans for Castrol Supregiating the execution of wire transfers from the recording and reconcilation of wire transfers from the recording and reconcilation of wire transfers from the recording and reconcilation of wire					
be provided before a wire transfer can be executed. Remain for Cantral Dual passwoods (executed by different individuals) will prevent the person preparing the wire transfer from transatting a without supervisory approval. 24-5 If using in-house wire transfer software, ensure that firewalls and intrusion detection capabilities are installed and working properly. Remain for Cantral It is important to protect wire transfer computers from external intrusions by backers. 24-6 If initiating wire transfers by telephone or fax, require the transmitting bank to confirm the amount and destination of the transfer by calling a supervisor or another employee before the wire is executed. Remain for Cantral By requiring the bank to confirm telephone or fax requests, the opportunity for a single employee to execute an improper or inaccurate wire transfer will be controlled. 24-7 Employees who execute wire transfers whold not prepared or post journal entries or reconcile bank accounts. When it is not practical to suggestate these duties, a compensating control, such as supervisory review of journal entries, should be considered. Bases for Cantral Suggesting the execution of wire transfers from the recording and reconcilation functions prevents a single employee from controlling the execution, and reconcilation of wire					
be provided before a wire transfer can be executed. Reason for Control Dual passwords (executed by different individuals) will prevent the person preparing the wire transfer from transmitting it without supervisory approval. Life individual is are installed and working properly. Reason for Control It is important to protect wire transfer computers from external intrusions by backers. Life initiating wire transfers by telephone or fax, require the transmitting bank to confirm the amount and destination of the transfer by calling a supervisor or another employee before the wire is executed. Reason for Control By requiring the basic to confirm telephone or fax requests, the opportunity for a single employee to execute an improper or inaccurate wire transfer will be controlled. Proposes who execute wire transfers will be controlled. Alta proposes who execute wire transfers will be controlled. Reason for Cantrol Segregating the Castrol Segregating the Castrol on confirm the recording and reconclusion of wire transfers do fournal entries or reconcile bank accounts. When it is not practical to segregate these duties, a compensating control, such as supervisory review of journal entries, should be considered. Reason for Cantrol Segregating the accuration of wire transfers from the recording and reconclusion functions prevents a single employee from controlling the execution, accounting, and reconclusion of wire transfers as single employee from controlling the execution, accounting, and reconclusion of wire					
be provided before a wire transfer can be executed. Reason for Control Dual passwords (executed by different individuals) will prevent the person preparing the wire transfer from transmitting it without supervisory approval. Life individual is are installed and working properly. Reason for Control It is important to protect wire transfer computers from external intrusions by backers. Life initiating wire transfers by telephone or fax, require the transmitting bank to confirm the amount and destination of the transfer by calling a supervisor or another employee before the wire is executed. Reason for Control By requiring the basic to confirm telephone or fax requests, the opportunity for a single employee to execute an improper or inaccurate wire transfer will be controlled. Proposes who execute wire transfers will be controlled. Alta proposes who execute wire transfers will be controlled. Reason for Cantrol Segregating the Castrol Segregating the Castrol on confirm the recording and reconclusion of wire transfers do fournal entries or reconcile bank accounts. When it is not practical to segregate these duties, a compensating control, such as supervisory review of journal entries, should be considered. Reason for Cantrol Segregating the accuration of wire transfers from the recording and reconclusion functions prevents a single employee from controlling the execution, accounting, and reconclusion of wire transfers as single employee from controlling the execution, accounting, and reconclusion of wire					
Beause for Custrul Dual passwords (seaceated by different individuals) will prevent the person preparing the wire transfer from transmitting it without supervisory approval. 24.5 If using in-house wire transfer software, ensure that firewalls and intrusion detection capabilities are installed and working properly. Beause for Custrul It is important to protect wire transfer computers from external intrusions by backers. 24.6 If initiating wire transfers by telephone or fax, require the transmitting bank to confirm the amount and destination of the transfer by calling a supervisor or another employee before the wire is executed. Beause for Lattrul By requiring the bank to confirm telephone or fax requests, the opportunity for a single employee to execute an improper or inaccurate wire transfer will be controlled. 24.7 Employees who execute wire transfers should not prepare or post journal entries or reconcile bank accounts. When it is not practical to segregate these duties, a compensating control, such as supervisory review of journal entries, should be considered. Beause for Custrul Segregating the execution of wire transfers from the recording and reconcilation functions prevents a single employer for concording, and reconcilation of wire transfers from the recording and reconcilation of wire provises a single employee for concording, and reconcilation of wire provises a single employee for concording the deceasion, accompliance for more transfer from the recording and reconcilation of wire provises a single employee for concording the deceasion, accompliance for wire transfers from the recording and reconcilation of wire				 	
Dual passwords (accented by different individuals) will prevent the person preparing the wire transfer from transmitting it without supervisory approval. 2-4.5 If using in-house wire transfer softwara, ensure that firewalls and intrusion detection capabilities are installed and working properly. **Routed Int Cantall** It is important to protect wire transfer computers from external intrusions by backers. 2-4.6 If initiating wire transfers by telephone or fax, require the transmitting bank to confirm the amount and destination of the transfer by calling a supervisor or another employee before the wire is executed. **Routed Int Cantall** By requiring the bank to confirm telephone or fax requests, the opportunity for a single employee to occure an impoper or inaccurate wire transfer will be controlled. 2-4.7 Employees who execute wire transfers should not prepare or opost journal entries or reconcile bank accounts. When it is not practical to segregate these duties, a compensating control, such as supervisory review of journal entries, should be considered. **Ratus for Cantall** **Sugregating the execution of wire transfers from the recording and reconcilation functions prevents a single employee from controlling the execution, accounting, and reconcilation of wire					
24-5 If using in-house wire transfer software, ensure that firewalls and intrusion detection capabilities are installed and working properly. **Rauma for Cantrol** It is important to protect wire transfer computers from external intrusions by backers. 24-6 If initiating wire transfers by telephone or fax, require the transmitting bank to confirm the amount and destination of the transfer by calling a supervisor or another employee before the wire is executed. **Meansa for Cantrol** By requiring the bank to confirm telephone or fax requests, the opportunity for a single employee to exceed an improper or transcents were transfer will be controlled. 24-7 Employees who execute wire transfers should not prepare or oposi journal entries or reconcile bank accounts. When it is not practical to segregate these duties, a compensating control, such as supervisory review of journal entries, should be considered. **Rausa for Cantrol** **Segregating the execution of wire transfers from the recording and reconciliation functions prevents a single employee from controlling the execution, accounting, and reconciliation of wire	Dual passwords (executed by different individuals) will prevent the person preparing the wire				
detection capabilities are installed and working properly. Bassus fine Cantrol It is important to protect wire transfer computers from external intrusions by backer. 24.6 If initiating wire transfers by telephone or fax, require the transmitting bank to confirm the amount and destination of the transfer by calling a supervisor or another employee before the wire is executed. Bassus fac Cantrol By requiring the bank to confirm telephone or fax request, the epportunity for a single employee to execute an improper or inacurate wire transfer will be controlled. 24.7 Employees who execute wire transfers should not prepare or post journal entries or reconcile bank accounts. When it is not practical to segregate these duties, a compensating control, such as supervisory review of journal entries, should be considered. Bassus for Cantrol Segregating the execution of wire transfers from the recording and reconcilation functions prevents a single employee from controlling the execution, accounting, and reconcilation of wire					
Bassos fine Cantrol It is important to protect wire transfer computers from external intrusions by backers. 24-6 If initiating wire transfers by telephone or fax, require the transmitting bank to confirm the amount and destination of the transfer by calling a supervisor or another employee before the wire is executed. Bassos fire Cantrol By requiring the bank to confirm telephone or fax requests, the opportunity for a single employee to execute an improper or inaccurate wire transfer will be controlled. 24-7 Employees who execute wire transfers should not prepare or post journal entries or reconcile bank accounts. When it is not practical to segregate these duties, a compensating control, such as supervisory review of journal entries, should be considered. Bassos for Cantrol Segregating the execution of wire transfers from the recording and reconcilation functions prevents a single employee from controlling the execution, accounting, and reconcilation of wire	2.45 If using in-house wire transfer software, ensure that firewalls and intrusion detection capabilities are installed and working properly.	1			
24-6 If initiating wire transfers by telephone or fax, require the transmitting bank to confirm the amount and destination of the transfer by calling a supervisor or another employee before the wire is executed. **Beautifer Cantrol!** By requiring the bank to confirm telephone or fax requests, the opportunity for a single employee to execute an improper or inaccurate wire transfers will be controlled. 24-7 Employees who execute wire transfers should not prepare or post journal entries or reconcile bank accounts. When it is not practical to segregate these duties, a compensating control, such as supervisory review of journal entries, should be considered. **Rause for Cantrol!** **Rause for Cantrol!** **Segregating the execution of wire transfers from the recording and reconcilation functions prevents a single employee from controlling the execution, accounting, and reconcilation of wire	Reason for Control	1		 	
confirm the amount and destination of the transfer by calling a supervisor or another employee before the wire is executed. Reason for Control By requiring the bank to confirm telephone or far requests, the opportunity for a single employee to execute an improper or inaccurate wire transfer will be controlled. 24-7 Employees who execute wire transfers should not prepare or post journal entries or reconcile bank accounts. When it is not practical to segregate these duties, a compensating control, such as supervisory review of journal entries, should be considered. Reason for Control Segregating the execution of wire transfers from the recording and reconcilation functions prevents a single employee from controlling, the execution, accounting, and reconcilation of wire		1	-		
Beautiful field to confirm telephone or fax requests, the opportunity for a single employee to execute an improper or inaccurate wire transfer will be controlled. 247 Employees who execute wire transfers should not prepare or post journal entries or reconcile bank accounts. When it is not practical to segregate these duties, a compensating control, such as supervisory review of journal entries, should be considered. Beautiful Catiful Segregating the execution of wire transfers from the reconding and reconcilation functions prevents a single employee from controlling, and reconcilation of wire transfers from the execution, accounting, and reconcilation of wire	confirm the amount and destination of the transfer by calling a supervisor or	1			
to execute an improper or inaccurate with Econotrolled. 2-47 Employees who execute wire transfers should not prepare or post journal entries or reconcile bank accounts. When it is not practical to segregate these duties, a compensating control, such as supervisory review of journal entries, should be considered. Reasan for Central Segregating the execution of wire transfers from the recording and reconcilation functions prevents single employee from controlling the execution, excoming, and reconcilation of wire	Reason for Control				
or reconcile bank accounts. When it is not practical to segregate these duties, a compensating control, such as supervisory review of journal entries, should be considered. **Basse in Central Segregating the execution of wire transfers from the reconding and reconcilation functions prevents a single employee from controlling, and reconcilation of wire	By requiring the bank to confirm telephone or fax requests, the opportunity for a single employee to execute an improper or inaccurate wire transfer will be controlled.				
compensating control, such as supervisory review of journal entries, should be considered. Reame for Control Segregating the execution of wire transfers from the recording and reconcilation functions prevents single employee from controlling the execution, accounting, and reconcilation of wire	2-47 Employees who execute wire transfers should not prepare or post journal entries				
Rannt for Control Segregating the execution of wire transfers from the recording and reconciliation functions prevents a single employee from controlling the execution, accounting, and reconciliation of wire	compensating control, such as supervisory review of journal entries, should be	1			
Segregating the execution of wire transfers from the recording and reconcilation functions prevents a single employer one controlling the execution, accounting, and reconcilation of wire	Reason for Control	1			
transfer activity and thereby limits the opportunity for disguising a wire transfer error or fraud.	Segregating the execution of wire transfers from the recording and reconciliation functions prevents a single employee from controlling the execution, accounting, and reconciliation of wire	1			
21	transfer activity and thereby limits the opportunity for disguising a wire transfer error or fraud.	1			
		21			

Assessing Controls

- Continuously assess controls that may be in place and determine if they are working properly and are efficient and effective.
 - Authorizations match system inputs
 - Check stock is safeguarded
 - Prescribed forms are used appropriately
 - Accounting records are accurate
 - Audits are performed



Information and Communication

- Each employee should:
 - Understand their role.
 - Understand how their actions relate to others.
 - Understand that they have a responsibility to communicate problems they notice.
- Information and communication **MUST** be allowed to flow in all directions.



Information and Communication

- Training opportunities
 - Annual
- Review of policies and procedures
- Addressing consequences
- Reporting of inaccuracies
- Exceptions



Management Concerns

- How are cash disbursements documented and by whom?
- What happens if an employee violates the policies or procedures?
- Who is providing oversight to detect inaccuracies?
- How can you provide confidence to taxpayers that cash is safeguarded?



Monitoring

- Monitoring determines whether or not policies and procedures are being followed.
- Monitoring identifies significant control deficiencies timely.



Monitoring

- Converting policies to actions
- Personnel policies, contracts and bargaining agreements
- No consequences
- Finding the cracks:
 - Follow-up questions
 - See the evidence
 - Observation



Cash Disbursements Monitoring

- Supervisory review of cash disbursements
- Reconciliation of bank statements
- Requiring reports to be submitted to and reviewed by the Board



Don't take someone's word for it.

Do not forget to ask follow-up questions and ask for evidence. "Show Me... Let me see..."





Available Tools

- CPA audit reports
- OSC audit reports
- Policy manuals and procedures
- Training
- Other municipalities/districts
- Associations



Audit Findings

- Theft of money
- Inadequate policies and procedures
- Unauthorized payments
- Disbursements lacked supporting documentation
- Inadequate board or management oversight
- Reconciliations were not accurate and timely



Thank You

Division of Local Government and School Accountability localtraining@osc.ny.gov



