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INTERNAL CONTROL DOCUMENTATION GUIDE

The material which follows was designed as an aid in reviewing internal controls. It consists of controls and suggestions for items which are recommended for the operation of a non-profit organization.

GENERAL

The following questions relate to the internal accounting controls of the overall organization.

1. Duties for key employees of the organization are defined.
2. An organization chart which sets forth the actual lines of responsibility.
3. Written procedures are maintained covering the recording of transactions.
 - a. Covering an accounting manual
 - b. Covering a chart of accounts
4. Procedures, chart of accounts, etc., provide for identifying receipts and expenditures of association dues or contributory funds by contributor.

Account Number Guide:

001-049 Cash	150-299 Assets	576-599 Equity
050-099 Checking	300-399 Credit Cards	600-799 Income
100-149 Savings	400-575 Liability	800-999 Expense

5. The accounting system provide for accumulating and recording expenditures by cost category shown in the approved budget.
6. The organization maintain a policy manual covering
 - a. approval authority for financial transactions and
 - b. guidelines for controlling expenditures, such as purchasing requirements and travel authorizations.
7. There are procedures governing the maintenance of accounting records.

- a. Subsidiary records for accounts payable, accounts receivable, etc., are balanced with control accounts on a regular basis.
 - b. Journal entries are approved and explained or supported.
 - c. Accrual accounts provide adequate control over income and expense.
 - d. Accounting records and valuables are secured in limited-access areas.
8. Duties are separated so that no one individual has complete authority over an entire financial transaction.
 9. The organization uses an operating budget to control funds by activity?
 10. Controls are in place to prevent expenditure of funds in excess of approved, budgeted amounts. For example, purchase requisitions are reviewed against remaining amount in budget category.
 11. The organization has obtained fidelity bond coverage for responsible officials?
 12. Financial reports are prepared for required accounting periods?

CASH RECEIPTS

The following conditions are indicative of satisfactory controls over cash receipts.

1. The individual responsible for the cash receipts function does not sign checks or reconcile the bank accounts and is not responsible for noncash, accounting records, such as accounts receivable, the general ledger, or the general journal.
2. Receipts are deposited promptly and intact.

Incoming mail:

1. Remittances are listed on a control sheet or other mechanical device for comparison with the bank deposit tickets.
2. Check remittances are restrictively endorsed by the person opening the mail.
3. The person receiving cash does not have the authority to sign checks and reconcile bank accounts and does not have access to accounting records other than cash receipts.

BILLINGS AND RECEIVABLES

The following conditions are indicative of satisfactory control over billing and receivables.

1. Detailed receivable records are periodically balanced with the general ledger control accounts.
2. An aged trial balance of receivables is periodically prepared and followup action is taken on overdue balances.
3. There are procedures to control the receipt of funds for miscellaneous transactions, such as:
 - (a) the sale or rental of property and equipment and
 - (b) income from investments.
4. There are controls over advances to and receivables from employees.