

Internal Control Considerations

Suggested Controls for Cash Receipts

- Incoming mail should be opened and listed by persons other than those with access to cash receipts journals, and accounts receivable records.
- A person with no access to cash should compare cash receipts records and authenticate deposit slips with mail listing.
- Checks should be stamped “For Deposit Only” by the person opening the mail.
- Consider remote capture in making deposits.
- Pre-numbered receipts should be given for contributions, gifts, etc.
- Cash receipts should be entered in journals by persons other than those opening the mail and listing receipts.
- Receipts of checks and cash should be deposited each day intact.
- Individuals handling cash should not make entries to the general ledger or subsidiary ledgers.
- The NPO Board should authorize bank accounts and the signers of checks annually.
- Individuals handling cash should be bonded.

Suggested Controls for Cash Disbursements

- Checks should be pre-numbered, used in sequence, with adequate controls over supplies of blank checks.
- Checks should be prepared by persons other than those who approve invoices.
- Checks should be prepared from original vendor invoices with underlying support (purchase orders/invoices/receiving reports) and presented for signature with these attached.
- Checks should be entered into the disbursement journal exactly as they have been prepared.
- The governing board should authorize all check signers.
- Signing of blank checks should not be permitted
- An officer or executive director should receive the unopened bank statement before turning it over to a person, other than the one who handles the receipt and disbursement of cash, for reconciliation. This officer should review the bank statement for reconciliation, then date and initial it.

General Rule...Separate the Following Functions:

Authorization of Transactions

Custody of Assets

Recordkeeping