



OVERDRAWN CASH AND INVESTMENT BALANCES

A system of internal control may be implemented in many different ways. Because political subdivisions vary in purpose, size and complexity, no single method of internal control is universally applicable. However, the five internal control components should be present and functioning in all political subdivisions.

Questions have been accumulated for all five internal control components. This document includes questions pertaining to various noncompliance issues regarding overdrawn cash and investment balances. These questions can be used to aid in designing a proper system of internal control over the review of cash and investment balances that will allow overdrawn cash and investment balances to be prevented or detected and corrected. It is not necessary to address all questions in this document. These are only suggestions and ultimately it is up to the unit on how they implement it. The internal control system as a whole has to be designed and implemented appropriately in order to allow overdrawn cash and investment balances to be prevented or detected and corrected.

Control Environment

The questions in this section are divided by questions that pertain to the governing board and management.

Governing Board:

	YES	NO
1) Does the governing board oversee the unit's internal control system regarding the review of cash and investment balances?		
2) Are there written policies documenting internal control procedures over the review of cash and investment balances? If yes, do these written policies outline the authority and responsibility for the review of cash and investment balances?		

Management:

1) What procedures did management put in place for the review of cash and investment balances?		
a. Does management assign responsibility, and delegate authority to achieve correct cash and investment balances and ensure the review occurs in a timely manner?		
2) Is management willing to adjust the financial statements for misstatements that approach a material amount?		

Risk Assessment

	YES	NO
1) Does management identify, analyze and respond to risks regarding the review of cash and investment balances?		
a. What areas have been identified regarding the review of cash and investment balances that may be exposed to fraud risk?		
b. How has management analyzed and responded to the identified risks? For example, management may accept the risk and take no action, choose to eliminate certain processes to avoid the risk and/or institute proper internal controls.		
2) How does management prevent fraud and errors in the accounting records, which are used to compute cash and investment balances? For example, are important internal control procedures in place such as approvals, regular preparation or review of reconciliations, review of supporting schedules or reports, etc.		
3) What procedures are in place to ensure that the cash and investments balances reported are correct and reflective of the accounting records?		

Control Activities

	YES	NO
1) Is there a system of checks and balances (segregation of duties) to ensure the proper review of cash and investment balances?		
a. Are responsibilities for preparing the bank reconciliation segregated from those involved in the review of cash and investment balances?		
b. Are responsibilities for reviewing the bank reconciliation segregated from those involved in the review of cash and investment balances?		
c. Is a reconciliation between the receipts ledger and the credits to the bank account completed periodically by individuals segregated from those involved in the review of cash and investment balances?		
d. Is a reconciliation between the disbursements ledger and the debits to the bank account completed periodically by individuals segregated from those involved in the review of cash and investment balances?		
e. Are responsibilities for reviewing cash and investment balances segregated from those involved in receipting and disbursing activities?		



	YES	NO
2) Did management design the entity's information system and related control activities to ensure correct cash and investment balances and the proper review of cash and investment balances?		
a. Did management implement control activities through written policies?		
b. Is access to the accounting records appropriately controlled by user logins and passwords?		
c. Do individuals involved in posting the accounting records and preparing the bank reconciliation share their user id and password?		
3) Does management or a designated individual review and check the accuracy of cash and investment balances by comparing them to other supporting documentation? If yes, is this review documented as evidenced by initials, tick marks, etc. indicating procedures performed?		
4) Are the individuals authorized to review cash and investment balances knowledgeable?		
5) Are the individuals authorized to review cash and investment balances understand the unit's accounting system?		
6) Is there a checklist for reviewing cash and investment balances that includes the following:		
a. Employee names with their responsibilities and duties		
b. Deadlines for completing the review of cash and investment balances		
c. Detail of supporting documentation required		
d. Follow up of negative cash and investment balances		
7) Is the budget process working effectively?		
a. Are proper estimates and other documents used in the budget process retained and reviewed by management?		
b. Are budgets reviewed and approved by the responsible department head?		
c. Are budgets reviewed and approved by the governing board?		
d. Are budget modifications approved by management and/or the governing board?		
e. Are monthly reports detailing disbursements and appropriations provided to the appropriate department to review for accuracy and reasonableness?		
f. Are monthly reports detailing disbursements and appropriations provided to management to review for accuracy and reasonableness?		
g. Are monthly disbursement and appropriation reports reviewed by the governing board?		
h. Are comparisons made between budgeted and actual disbursements? Do significant variations require an explanation?		
i. Are appropriation balances and cash and investment balances reviewed to determine if sufficient balances exists prior to writing checks?		
j. Have controls been established to track periodic or contractual payments made to a vendor in order to properly oversee and forecast budgeted amounts?		

Information and Communication

	YES	NO
1) Are procedures established to ensure that proper communication and documentation exists for internal communications between offices, departments, management and the governing board regarding the review of cash and investment balances?		
a. How does the unit internally communicate information to employees regarding cash and investment balances, including responsibilities for internal control? Are records maintained to document this communication?		
b. Are procedures established to ensure that the communication requirements are being followed and necessary information is being communicated properly?		
2) What procedures are in place to collect the information needed to complete a proper review of cash and investment balances?		
a. Does management use the most current information available to ensure cash and investment balances are correct?		

Monitoring

	YES	NO
1) Are internal controls over the review of cash and investment balances evaluated and adjusted for weaknesses on a regular basis? For example, personnel changes, newly elected officials, new technology, etc.		
a. What follow-up action is taken for identified problems or weaknesses in internal controls over cash and investment balances?		
2) Are monthly reports detailing receipts, disbursements, cash and investment balances and appropriations of the funds provided to the appropriate department to review for accuracy and reasonableness?		
3) Are monthly reports detailing receipts, disbursements, cash and investment balances and appropriations provided to management to review for accuracy and reasonableness?		



	YES	NO
4) Are monthly reports of receipts, disbursements, cash and investment balances and appropriations of the funds provided to the governing board to review?		
5) Does a confidential reporting system exist so that individuals may report suspected fraud and abuse of the unit's policies?		