



DISBURSING ACTIVITIES

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 disbursement activities. These questions can be used to aid in designing a proper system of internal control over disbursement activities that will allow improper procedures 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 errors and deficiencies in disbursing activities made on the bank reconciliation 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 disbursement activities?		
2) Are there written policies documenting internal control procedures over disbursement activities including purchase orders and contracts?		
3) Do written policies address what approvals are necessary for certain dollar amount or types of purchases, how approvals are documented, types of purchases that are prohibited or restricted (i.e. purchases for personal use, computer hardware and software, etc.), and procedures for determining the most cost effective purchase (i.e. quotes, local business preferences, emergency purchases, etc.)?		
4) Is there an approved credit card policy?		
5) Is there an approved travel policy?		
6) Is there an approved policy for employee reimbursements for other expenses?		

Management:

1) What procedures did management put in place for disbursement activities?		
a. Does management assign responsibility, and delegate authority to achieve a proper disbursing activities?		
2) Does management emphasize meeting the budget and/or financial and operating goals?		
3) Is management willing to adjust the financial statements for misstatements that approach a material amount?		
4) Are procedures for the disbursement of funds under grants imposing requirements updated when they differ from the unit's normal policies?		

Risk Assessment

	YES	NO
1) Does management identify, analyze and respond to risks regarding disbursement activities?		
a. What areas have been identified regarding disbursement activities that may be exposed to fraud risk?		
b. How has management analyzed and responded to identified risks? For example, management may accept the risk and take no action, choose to eliminate certain processes to avoid the risk and institute proper internal controls.		
2) How does management prevent fraud and errors in the accounting records, which are used in the posting of disbursements? 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 disbursements 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 reporting of disbursements?		
a. Are responsibilities for approving claims segregated from those involved in preparing the claims?		
b. Are responsibilities for preparing and writing checks segregated from those who approve claims?		



	YES	NO
c. Are responsibilities for acknowledging the receipt of goods or services segregated from those preparing and writing checks?		
d. Are responsibilities for preparing the bank reconciliation segregated from those involved in disbursing activities?		
e. Are responsibilities for reviewing the bank reconciliation segregated from those involved in disbursing activities?		
f. Are responsibilities for performing reconciliations between the disbursement ledger and the debits to the bank account completed periodically by an individual segregated from those involved in disbursing activities?		
g. Are responsibilities for individuals involved in the receipting process segregated from those involved in disbursing activities?		
h. Are responsibilities for the preparation and approval of claims segregated from those involved in recording or entering cash disbursement information in the records? (In most cases the disbursement will be posted during the preparation of the disbursement.)		
i. Does a responsible individual who is independent of the purchasing department perform periodic reviews of purchase prices?		
2) Are there controls in place to ensure each disbursement is properly supported by a claim and an original (no photocopies) invoices?		
3) Does the fiscal officer or their designee review and audit supporting documentation to ensure funds are disbursed for only authorized purchases?		
4) Are invoices date stamped before releasing them for departmental approval?		
5) When an invoice is received from a supplier not previously dealt with, are steps taken to verify the supplier actually exists?		
6) Are claims approved by the governing board prior to payment?		
7) If checks are written prior to the approval of the governing board, does an ordinance exist allowing for such items to be prepaid?		
8) If checks are written prior to the approval of the governing board, does the governing board approve the disbursement at the next regular board meeting?		
9) What procedures exist to document the receipt of goods and services?		
10) Are goods received accurately counted and examined to verify they meet quality standards?		
11) Are checks signed only after all required documentation to support the payment is obtained, evidence that goods or services have been received, proper approvals have been obtained, etc?		
12) Are checks accounted for in numerical order and reconciled to the disbursement ledger and bank statement?		
13) Are voided checks and documents to support the voided checks retained?		
14) Are checks payable to "Cash" prohibited?		
15) Is access to signature stamps, mechanical check signers or signature plates used to sign checks adequately controlled?		
16) Are all disbursements made by check, except for small payments from petty cash?		
17) Is the signing of checks in advance prohibited?		
18) Are blank check stock kept in a secure location?		
19) Are signed checks delivered directly to the mail room or postal office, making them inaccessible to persons who requested, prepared or recorded them?		
20) Are signed checks promptly recorded?		
21) Is a reconciliation completed between the claims for payment approved by the governing board and the actual disbursements posted to the ledger?		
22) Is the review of the distribution of charges to various appropriation line items performed by an individual with knowledge and experience to determine the correctness of the distribution?		
23) Are error reports created to identify vendors with the same bank account number or same address?		
24) Is there a separate bank account for payroll?		
25) Is access to disbursement applications appropriately controlled by user logins and passwords?		
26) Did management design the unit's information system and related control activities to ensure the proper handling of disbursements?		
a. Did management implement control activities through written policies?		
27) Are monthly disbursements compared to prior months to determine reasonableness?		
28) Are there controls in place to ensure duplicate payments are not made?		
29) Are electronic payments properly itemized, authorized, audited by the fiscal officer or their designee and approved by the governing board?		
30) Before electronic payments are submitted for approval, are the amounts reviewed to ensure the dollar amount charged is correct?		
31) Are investigations made of unusual journal entries?		
32) Are there controls in place to ensure all payments are made on a timely basis?		



	YES	NO
33) Does the purchasing department maintain price lists and other records of price quotes?		
34) Does the purchasing department maintain a record of suppliers who have not met quality or other performance standards?		
35) Are there controls to identify costs and expenditures not allowable under grant programs before payment is made?		
36) Are claims filed against vendors for all shortages or damaged materials?		
37) Are vendor listings reviewed by management to in order to identify unusual vendors or excessive payments to vendors?		
38) Is timely payment of invoices required to avoid late fee charges and to take advantage of available discounts?		
39) Are transactions monitored to ensure all cash discounts are taken and exemptions from sales tax and federal excise?		
40) Are both the accounting and purchasing departments promptly notified of returned purchases?		
41) Are returned purchases matched with vendor credits?		
42) Is a current list of individuals authorized to approve expenditures maintained by the accounting department?		
43) Are there procedures for immediate notification when authorized individuals leave the unit or are no longer authorized to approve claims?		
44) Are proper internal controls in place for contracts? (See Long Version for Disbursing Activities Question #47)		
45) Are proper internal controls in place for purchase orders and requisitions? (See Long Version for Disbursing Activities Questions #48 and #49)		
46) Are proper internal controls in place for travel and other employee reimbursements? (See Long Version for Disbursing Activities Questions #50)		
47) Are proper internal controls in place for the budget process? (See Long Version for Disbursing Activities Questions #51)		

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 disbursement activities?		
a. How does the unit internally communicate information regarding disbursement activities to employees, including objectives and 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 ensure the proper handling of disbursements?		
a. Does management use the most current information available to ensure disbursement activities are working properly?		

Monitoring

	YES	NO
1) Are internal control procedures over disbursement activities evaluated and adjusted on a regular basis? For example, personnel changes, newly elected officials, etc.		
a. What follow-up action is taken for identified problems or weaknesses in internal controls over disbursement activities?		
2) Are monthly reports detailing disbursements and appropriations of the funds sent to the appropriate department to review for accuracy and reasonableness?		
3) Are monthly reports detailing disbursements and appropriations of the funds sent to management to review for accuracy and reasonableness?		
4) Are monthly reports of disbursements 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?		
6) Is there a comparison by the appropriate level of management or another designated individual of actual disbursements to budgeted and prior disbursements? If yes, are investigations performed for all variances noted?		