



**ACCOUNTS PAYABLE TRAINING
PROGRAM**

**INTERNAL CONTROLS OVER
ACCOUNTS PAYABLE**

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OBJECTIVES

- OVERVIEW OF CONTROLS
 - DEFINITION OF INTERNAL CONTROL
 - WHAT IS A CONTROL?
- IMPORTANCE OF INTERNAL CONTROLS
 - APPROVALS AND VERIFICATIONS
 - RECONCILIATIONS AND SEGREGATION OF DUTIES
 - PHYSICAL CONTROLS
 - REVIEW AND ANALYSIS

OVERVIEW OF CONTROLS

- DEFINITION – INTERNAL CONTROLS

“INTERNAL CONTROL IS A PROCESS-EFFECTED BY THOSE CHARGED WITH GOVERNANCE, MANAGEMENT AND OTHER PERSONNEL DESIGNED TO PROVIDE REASONABLE ASSURANCE ABOUT THE ACHIEVEMENT OF THE ENTITY’S OBJECTIVES WITH REGARD TO (A) RELIABILITY OF FINANCIAL REPORTING, (B) EFFECTIVENESS AND EFFICIENCY OF OPERATIONS AND (C) COMPLIANCE WITH APPLICABLE LAWS AND REGULATIONS.”(AU314.41)

OVERVIEW OF INTERNAL CONTROLS

- ▶ INTERNAL CONTROLS ALLOW ENTITIES TO:
 - ▶ ACHIEVE OBJECTIVES OF THE ENTITY
 - ▶ OPERATE IN AN EFFICIENT AND EFFECTIVE MANNER
 - ▶ PREPARE RELIABLE FINANCIAL INFORMATION
 - ▶ COMPLY WITH LAWS AND REGULATIONS
 - ▶ SAFEGUARD ASSETS OF THE ENTITY

OVERVIEW OF INTERNAL CONTROLS

- COST- BENEFIT OF INTERNAL CONTROLS
 - ALL ENTITIES ARE DIFFERENT AND REQUIRE DIFFERENT CONTROLS BASED ON CIRCUMSTANCES
 - A COST-BENEFIT ANALYSIS SHOULD BE PERFORMED TO DETERMINE WHICH INTERNAL CONTROLS TO PUT IN PLACE
 - THE COST OF INTERNAL CONTROLS SHOULD NOT OUTWEIGH THEIR BENEFITS
 - KEEP CONTROLS AS SIMPLE AS POSSIBLE

OVERVIEW OF INTERNAL CONTROLS

- REWARDS OF EFFECTIVE INTERNAL CONTROLS
 - THEY ARE YOUR BEST DEFENSE AGAINST FRAUD
 - THEY ENSURE TRANSACTIONS ARE PROPERLY AUTHORIZED, INITIATED AND RECORDED
 - THEY ENSURE ASSETS ARE PROPERLY SAFEGUARDED.

WHAT IS A CONTROL?

- WHAT IS A PROCEDURE?
 - THE SYSTEMS THAT ARE SET IN PLACE TO MEET THE ESTABLISHED STANDARDS OF THE ORGANIZATION. THESE ARE SPECIFIC INTERNAL PROCESSES. THEY ENSURE TRANSACTIONS ARE PROPERLY AUTHORIZED, INITIATED AND RECORDED
 - ENSURE OPERATIONAL EFFICIENCY, MINIMIZE FRAUD POTENTIAL AND DEFINE THE ROLES AND RESPONSIBILITIES OF THE AUDITEE'S STAFF.
 - SHOULD HAVE A ROUTINE SCHEDULE TO ENSURE EFFICIENCY.
 - THESE ARE THE TASKS THAT YOU PERFORM ON A DAILY, WEEKLY AND MONTHLY BASIS.

WHAT IS A CONTROL?

- WHAT IS A CONTROL?
 - A PROCEDURE BECOMES A CONTROL WHEN IT IS WELL-DOCUMENTED AND ACTED UPON.
 - RULE OF THUMB: ALL CONTROLS ARE PROCEDURES, BUT NOT ALL PROCEDURES ARE CONTROLS.
 - IF ONE CAN ANSWER THE WHO, WHAT WHEN AND HOW ABOUT A PROCEDURE THEN WE MAY HAVE A CONTROL.

WHAT IS A CONTROL?

- SUMMARY OF WHO, WHAT, WHEN AND HOW
- WHO – WHO IS RESPONSIBLE FOR THE PROCESS?
- WHAT - WHAT IS THE MAIN FOCUS OF THE PROCEDURE?
- WHEN – WHEN DOES THIS PROCEDURE TAKE PLACE?
- HOW – HOW CAN THIS PROCEDURE BE TESTED FOR EFFECTIVENESS?

EXAMPLE CONTROL

- ACCOUNTS PAYABLE CONTROL EXAMPLES

- WHEN ORDERS ARE RECEIVED, RECEIVING CLERK REVIEWS INVOICE TO ENSURE THAT ALL ITEMS WERE RECEIVED BEFORE SUBMITTING INVOICE TO ACCOUNTS PAYABLE CLERK.
- WHEN INVOICES ARE RECEIVED, THE ACCOUNTS PAYABLE CLERK MATCHES THE INVOICE WITH AN APPROVED PURCHASE ORDER, PREPARES THE DISBURSEMENT PACKET AND SUBMITS THE PACKET FOR REVIEW AND APPROVAL BY RESPONSIBLE EMPLOYEE.
- RESPONSIBLE EMPLOYEE REVIEWS DISBURSEMENT PACKET TO ENSURE CHECK AMOUNT AND PAYEE AGREES WITH THE INVOICE, AND ENSURES THE ITEMS ORDERED OR SERVICES PROVIDED ON THE INVOICE HAVE BEEN COMPLETED BEFORE THE DISTRIBUTION OF PAYMENT.

APPROVALS OF ACCOUNTS PAYABLE

- NEW VENDOR
 - THE APPROVAL OF A NEW VENDOR INTO THE ACCOUNTING SYSTEM SHOULD BE DONE BY MORE THAN ONE INDIVIDUAL AND SHOULD NOT BE DONE BY THE ACCOUNTS PAYABLE CLERK.
 - A NEW VENDOR SHOULD ALWAYS BE A PRIORITY FOR OUR STAFF.
 - THE FAILURE TO APPROVE A NEW VENDOR IN THE APPROPRIATE WAY CAN RESULT IN THE MISAPPROPRIATION OF ASSETS AND THEFT.

APPROVALS OF ACCOUNTS PAYABLE

- NEW VENDOR
 - WHEN A NEW VENDOR IS SUBMITTED TO BE APPROVED THERE SHOULD BE COMMUNICATION BETWEEN THE EMPLOYEE RESPONSIBLE FOR APPROVAL AND THE DEPARTMENT HEAD FOR WHICH THE NEW VENDOR WILL PROVIDE THE GOOD OR SERVICE.
 - THE RESPONSIBLE EMPLOYEE SHOULD DETERMINE THE NATURE OF THE GOODS OR SERVICES TO BE PROVIDED BY THE VENDOR.

APPROVALS OF ACCOUNTS PAYABLE

- NEW VENDOR
- RESPONSIBLE EMPLOYEE SHOULD INVESTIGATE TO DETERMINE IF THE NEW VENDOR IS RELATED TO ANYONE WITHIN THE BOE, ESPECIALLY THOSE WITHIN THE ACCOUNTS PAYABLE APPROVAL PROCESS.
- IF A NEW VENDOR IS RELATED, OUR APPROVAL PROCESS SHOULD BE ON A MORE HEIGHTENED ALERT.
- EXTRA MEASURES SHOULD BE CONSIDERED FOR VENDORS RELATED TO THOSE IN OUR ACCOUNTS PAYABLE APPROVAL PROCESS.

APPROVALS OF ACCOUNTS PAYABLE

- APPROVALS OF ACCOUNTS PAYABLE
 - PROCESS BEGINS WITH THE APPROVAL TO ORDER ITEMS OR TO CONTRACT FOR SERVICES
 - IN MOST INSTANCES, A PURCHASE ORDER WILL BE COMPLETED.
- WHAT IS THE IMPORTANCE OF A PURCHASE ORDER?
 - PO ALLOWS FOR DEPARTMENT HEADS TO ENSURE FUNDS ARE AVAILABLE FOR PURCHASE AND THE ITEM IS FOR AN ALLOWABLE PURPOSE.
 - APPROVALS OF PURCHASE ORDERS SHOULD BE DONE BY A RESPONSIBLE EMPLOYEE WHO HAS ACCESS TO ACCOUNTING SYSTEM AND WHO IS AWARE OF THE ALLOWABLE PURCHASES OF THE VARIOUS SOURCE OF FUNDS.

APPROVALS OF ACCOUNTS PAYABLE

- GOODS (OR SERVICES) SHOULD NOT BE PURCHASED UNTIL THEY HAVE BEEN APPROVED TO BE PURCHASED THROUGH THE PROCESSES SET UP BY THE BOE POLICY. (I.E, PO)
- WHAT POSITIONS ARE IN THE APPROVAL PROCESS?
 - ACCOUNTS PAYABLE CLERK
 - DEPARTMENT HEAD
 - CSFO
 - SUPERINTENDENT
 - BOARD OF EDUCATION

APPROVALS OF ACCOUNTS PAYABLE

- WHAT IS INCLUDED IN THE APPROVAL PROCESS?
 - APPROVAL FOR ITEMS TO BE ORDERED
 - ENSURING ITEMS (SERVICES) HAVE BEEN RECEIVED (PROVIDED) BEFORE PREPARING DISBURSEMENT PACKET
 - APPROVAL FOR THE CHECK TO BE SUBMITTED TO VENDOR

VERIFICATION OF ACCOUNTS PAYABLE

- SOME ENTITIES HAVE PURCHASING DEPARTMENTS
- OTHERS HAVE TO CREATE A SEGREGATION OF DUTIES USING THEIR CURRENT STAFF.
- IN EITHER CASE, THE PROCESS OF VERIFICATIONS BEGIN WITH ENSURING ITEMS OR SERVICES ARE RECEIVED OR PROVIDED.
- CONSIDERATIONS:
 - INVOICE/PURCHASE ORDER COMPARISON
 - CONTRACT SERVICE MONITORING

VERIFICATION OF ACCOUNTS PAYABLE

- INVOICE/PURCHASE ORDER COMPARISON
 - BOE POLICIES AND PROCEDURES SHOULD DESIGNATE A PERSON(S) WHO ARE RESPONSIBLE FOR ENSURING ITEMS ORDERED ARE RECEIVED IN THE APPROPRIATE MANNER.
 - THESE INDIVIDUALS MAY BE PURCHASING DEPARTMENT STAFF, IF APPLICABLE
 - THEY MAY ALSO TAKE THE FORM AS DEPARTMENT HEADS OR THEIR DESIGNEE.
 - IN EITHER CASE, INDIVIDUALS RESPONSIBLE FOR VERIFYING ITEMS RECEIVED SHOULD HAVE A WORKING KNOWLEDGE OF THE ITEMS ORDERED.

VERIFICATION OF ACCOUNTS PAYABLE

- WHEN ITEMS ARE RECEIVED THE RESPONSIBLE PERSON FOR VERIFICATION SHOULD ALREADY HAVE RECEIVED THE APPROVED PURCHASE ORDER.
 - THIS WILL ALLOW THIS INDIVIDUAL TO KNOW THE ITEMS TO BE RECEIVED HAVE ALREADY BEEN APPROVED FOR PURCHASE.
 - WHEN ITEMS ARE DELIVERED, THIS RESPONSIBLE PERSON SHOULD GO THROUGH A VERIFICATION PROCESS.
 - THEY ARE TO VERIFY THE ITEMS RECEIVED AGREE WITH THE INVOICE THAT ACCOMPANIES THESE ITEMS.

VERIFICATION OF ACCOUNTS PAYABLE

- IF THERE ARE MISSING ITEMS WHEN COMPARING RECEIVED ITEMS TO INVOICE, THE BOE SHOULD TAKE STEPS TO ENSURE THIS IS REMEDIED BEFORE PAYMENT OF THE INVOICE.
- THIS RESPONSIBLE EMPLOYEE OVER VERIFICATIONS SHOULD FOLLOW AN ESTABLISHED BOE POLICY OR PROCEDURE WHEN THESE ERRORS OCCUR.
- DOCUMENT ERRORS AND ACTION TAKEN TO REMEDY THE ISSUE.

VERIFICATION OF ACCOUNTS PAYABLE

- ONCE ORDER RECEIVED IS PROCESSED, THE INVOICE IS DELIVERED TO ACCOUNTS PAYABLE DEPARTMENT FOR THE PROCESSING OF PAYMENT.
 - ACCOUNTS PAYABLE RECEIVES INVOICE
 - ENTERS INTO ACCOUNTING SYSTEM
 - PREPARES DISBURSEMENT PACKET (INVOICE, APPROVED PURCHASE ORDER AND/OR REQUISITION, AND CHECK)
 - ACCOUNTS PAYABLE SUBMITS PACKET TO RESPONSIBLE EMPLOYEE FOR REVIEW
 - AFTER APPROVAL, ACCOUNTS PAYABLE CAN PROCEED TO SEND CHECK TO PAYEE.

VERIFICATION OF ACCOUNTS PAYABLE

- CONTRACT SERVICE MONITORING
 - THE ACCOUNTS PAYABLE PROCESS OVER PROVIDED SERVICES WORK IN A SIMILAR WAY AS TO RECEIVING ORDERED ITEMS.
 - A RESPONSIBLE EMPLOYEE SHOULD BE DESIGNATED TO OVERSEE AND APPROVED SERVICE TO BE PROVIDED BY A VENDOR.
 - THAT RESPONSIBLE EMPLOYEE IS THE CONTROL OVER ENSURING THAT SERVICES WERE ACTUALLY RENDERED BY THE VENDOR.

VERIFICATION OF ACCOUNTS PAYABLE

- EXAMPLE: LMN COMPANY IS CONTRACTED BY THE BOE TO PERFORM WINDOW CLEANING SERVICES AT ALL SCHOOLS.
 - THIS PROCESS BEGINS WITH FOLLOWING ESTABLISHED PROCEDURES FOR THE APPROVAL OF SERVICES.
 - FOR EXAMPLE, THE BOE MAY REQUIRE A PURCHASE ORDER TO BE APPROVED FOR THIS SERVICE.
 - OTHER BOE'S MAY REQUIRE THAT THE BOE APPROVE THIS TO BE DONE AT A BOARD MEETING.

VERIFICATION OF ACCOUNTS PAYABLE

- EXAMPLE: LMN COMPANY IS CONTRACTED BY THE BOE TO PERFORM WINDOW CLEANING SERVICES AT ALL SCHOOLS.
 - THE NEXT STEP IS TO ASSIGN A RESPONSIBLE EMPLOYEE TO OVERSEE THE WORK TO BE PERFORMED BY THIS VENDOR.
 - THE RESPONSIBLE EMPLOYEE SHOULD ROUTINELY REVIEW THE WORK PERFORMED BY THE VENDOR.
 - LMN COMPANY MAY SUBMIT INVOICES AFTER THE COMPLETION OF THE SERVICE AT EACH SCHOOL.
 - IF THIS OCCURS, THE RESPONSIBLE EMPLOYEE SHOULD VERIFY THAT THE WORK INDICATED ON THE INVOICE WAS COMPLETED BEFORE SUBMITTING THE INVOICE TO ACCOUNTS PAYABLE FOR PROCESSING.

VERIFICATION OF ACCOUNTS PAYABLE

- EXAMPLE: LMN COMPANY IS CONTRACTED BY THE BOE TO PERFORM WINDOW CLEANING SERVICES AT ALL SCHOOLS.
 - RESPONSIBLE VERIFICATION EMPLOYEE SHOULD SIGN OFF ON INVOICE INDICATING APPROVAL AND THEN THE INVOICE MAY BE SUBMITTED FOR PAYMENT PROCESSING.
 - THE ACCOUNTS PAYABLE DEPARTMENT PROCESSES THE PAYMENT BY ENTERING IT INTO THE ACCOUNTING SYSTEM, PREPARING THE DISBURSEMENT PACKET (INVOICE, APPROVED PURCHASE ORDER AND/OR REQUISITION AND CHECK)
 - THEN THE PACKET SHOULD BE SUBMITTED TO THE INDIVIDUALS RESPONSIBLE FOR REVIEWING AND APPROVING THE PACKET. AFTER APPROVAL, ACCOUNTS PAYABLE CAN THEN PROCEED TO SEND THE CHECK TO THE PAYEE.

TRAVEL REIMBURSEMENTS

- TRAVEL REIMBURSEMENTS SHOULD BE ANALYZED VERY CLOSELY.
 - BOE POLICY SHOULD BE FOLLOWED AT ALL TIMES.
 - BOE POLICIES AND PROCEDURES SHOULD REQUIRE SPECIFIC DOCUMENTATION FOR A TRAVEL REIMBURSEMENT (I.E, HOTEL RECEIPT, MILEAGE DOCUMENTATION, MEAL DOCUMENTATION, OFFICIAL BUSINESS PURPOSE DOCUMENTATION (AGENDA OF CONFERENCE))
 - IT IS VERY IMPORTANT FOR AP STAFF TO REVIEW TRAVEL REIMBURSEMENTS TO ENSURE APPROPRIATE DOCUMENTATION IS OBTAINED.

TRAVEL REIMBURSEMENTS

- TRAVEL REIMBURSEMENTS CONSIDERATIONS
 - WHEN REVIEWING TRAVEL REIMBURSEMENTS AP STAFF SHOULD REVIEW:
 - WAS THE TRAVEL REIMBURSEMENT FOR TRAVEL RELATED TO AN OFFICIAL BUSINESS PURPOSE? IS THAT DOCUMENTED?
 - DO DATES OF HOTEL RECEIPT, MEAL RECEIPTS COINCIDE WITH DATES OF OFFICIAL BUSINESS PURPOSE?
 - IS THE TRAVEL AMOUNT REQUESTED REASONABLE? DOES IT APPEAR THAT THE HOTEL WAS ONLY FOR THE EMPLOYEE AND NO OTHER NON-BOARD EMPLOYEES WERE INCLUDED?
 - TRAVEL REIMBURSEMENTS SHOULD NOT BE PROCESSED UNTIL ALL APPROPRIATE REQUIREMENTS AND QUESTIONS HAVE BEEN COMPLETED.

RECONCILIATIONS OF ACCOUNTS PAYABLE

- HAVING A GOOD RECONCILIATION PROCESS IS INSTRUMENTAL TO ENSURING ACCOUNTS PAYABLE IS BEING PROCESSED APPROPRIATELY.
 - ONE OF THE MOST IMPORTANT RECONCILIATIONS IS A BANK RECONCILIATION.
 - MOST ENTITIES HAVE AN ACCOUNTS PAYABLE CLEARING BANK ACCOUNT.
 - THIS ALLOWS FOR FUNDS FROM ALL SFUNDS TO BE TRANSFERRED TO THIS BANK ACCOUNT TO BE CLEARED.
 - BANK RECONCILIATION PROCEDURES S/B PERFORMED BY SOMEONE WHO IS NOT A PART OF THE ACCOUNTS PAYABLE PROCESSING.

RECONCILIATIONS OF ACCOUNTS PAYABLE

- BANK RECONCILIATION

- REVIEWING ACTIVITY IN THE ACCOUNT IS AN IMPORTANT FUNCTION.
- TRACE TRANSFERS INTO THE AP CLEARING ACCOUNT TO AN AP SUMMARY REPORT.
 - THESE SUMMARY REPORTS INDICATE THE TOTAL AMOUNT OF THE CHECKS WRITTEN WHICH SHOULD CORRESPOND TO THE TOTAL AMOUNT THAT WAS TRANSFERRED INTO THE AP CLEARING FUND.
- REVIEW CANCELLED CHECKS TO THE AP SUMMARY REPORT TO ENSURE THE CORRECT PAYEE AND AMOUNT
- REVIEW SIGNATURES ON CANCELLED CHECKS TO VERIFY AUTHORIZED SIGNER.

RECONCILIATIONS OF ACCOUNTS PAYABLE

- BANK RECONCILIATION
 - ANY ISSUES FOUND IN THE RECONCILIATION SHOULD BE INVESTIGATED.
 - IN THEORY, AN AP CLEARING ACCOUNT SHOULD RECONCILE TO ZERO.
 - RECONCILED BALANCES SHOULD BE IDENTIFIED AS TO THEIR SOURCE (O/S CHECKS, BANK ERRORS, ETC)
 - AFTER PERFORMANCE OF BANK RECONCILIATION IT SHOULD BE SUBMITTED FOR REVIEW AND APPROVAL.
 - REVIEWER S/B SOMEONE OUTSIDE OF AP PROCESSING AND SOMEONE OTHER THAN THE PERFORMER OF BANK RECONCILIATION.

RECONCILIATIONS OF ACCOUNTS PAYABLE

- BANK RECONCILIATION
 - SELECTING A REVIEWER OF A BANK RECONCILIATION
 - REVIEWER OF BANK RECONCILIATION SHOULD HAVE DETAILED KNOWLEDGE OF:
 - ACCOUNTS PAYABLE PROCESSING CONTROLS
 - ADEQUATE UNDERSTANDING OF A BANK RECONCILIATION
 - REVIEWER SHOULD HAVE ADEQUATE TIME TO REVIEW THE BANK RECONCILIATION.
 - AN APPROVAL SIGNATURE WITHOUT AN ADEQUATE REVIEW OF THE BANK RECONCILIATION IS NOT SUFFICIENT.

SEGREGATION OF DUTIES

- DUTIES OVER ACCOUNTS PAYABLE SHOULD BE SEGREGATED AS MUCH AS POSSIBLE.
- EVERY ENTITY IS UNIQUE IN ITS SIZE OF STAFF.
- SMALLER ENTITIES MAY NEED TO UTILIZE THE BOE MEMBERS AND SUPERINTENDENT MORE IN THEIR DETAILED REVIEW AND APPROVAL PROCESS.
- WHY IS SEGREGATION OF DUTIES IMPORTANT?
 - REDUCES RISK OF ERRORS, MISAPPROPRIATION OF ASSETS AND INAPPROPRIATE ACTIONS.

REVIEW AND ANALYSIS

- REVIEW AND ANALYSIS OF ACCOUNTS PAYABLE IS VERY IMPORTANT FUNCTION.
 - GOVERNMENTAL ENTITIES FUNDS ARE LIMITED.
 - CARE SHOULD BE TAKEN TO ENSURE DISBURSEMENTS ARE ALLOWABLE, REASONABLE AND NECESSARY TO ACCOMPLISH THE MISSION OF THE ENTITY.
 - REVIEW AND ANALYSIS OF ACCOUNTS PAYABLE SHOULD CONCERN THE FOLLOWING:
 - IS THE DISBURSEMENT ALLOWABLE, REASONABLE AND NECESSARY?
 - HAVE CONTROL PROCEDURES BEEN PROPERLY PERFORMED BY STAFF?
 - HAVE REVIEW OF CONTROL PROCEDURES BEEN PROPERLY PERFORMED?
 - BID LAW AND PUBLIC WORKS LAW COMPLIANCE

REVIEW AND ANALYSIS

- ALLOWABLE, REASONABLE AND NECESSARY
 - A REVIEWER SHOULD DETERMINE IF THERE IS ADEQUATE DOCUMENTATION
- VOUCHER PACKAGES SHOULD BE PREPARED BY SPECIFIED EMPLOYEES WHO ARE INDEPENDENT OF INVOICE APPROVAL AND SHOULD CONTAIN THE FOLLOWING:
 - CLAIM FOR PAYMENT (AND BE NUMBERED SEQUENTIALLY)
 - VENDOR INVOICE.
 - PRE-NUMBERED PURCHASE ORDER.
 - DEPARTMENT REQUISITION.
 - TRAVEL REPORT, IF APPLICABLE.
 - OTHER DOCUMENTATION AS NECESSARY TO FULLY DESCRIBE THE TRANSACTION

REVIEW AND ANALYSIS

- ALLOWABLE, REASONABLE AND NECESSARY
- PAYMENTS SHOULD BE MADE FOR THE “ORIGINAL INVOICE” – NOT MONTHLY STATEMENTS. STATEMENTS SHOULD BE MARKED AS SUCH TO PREVENT “DOUBLE PAYMENT”.
- ALL CHECKS SHOULD BE RECORDED IN THE CASH DISBURSEMENTS JOURNAL.
- CHECKS SHOULD NEVER BE MADE OUT TO “CASH”. BLANK CHECKS SHOULD NEVER BE SIGNED.
- CHECK SIGNERS SHOULD BE AUTHORIZED BY THE BOARD OF EDUCATION AND SHOULD BE INDEPENDENT OF VOUCHER PREPARATION; PURCHASING AND RECEIVING; AND TIME KEEPING FOR PAYROLL CHECKS.

REVIEW AND ANALYSIS

- REVIEWS OF CONTROLS
- MONITORING OF THE AP CONTROL PROCESS MUST OCCUR ROUTINELY.
 - BOE MUST MONITOR THE SPECIFIC CONTROLS THAT ARE PERFORMED FOR THE PURPOSE OF DETERMINING:
 - IF THE CONTROL IS WORKING AS INTENDED
 - ARE THERE DUPLICATE CONTROL PROCESSES THAT CAN BE MODIFIED?
 - IS APPROPRIATE SEGREGATION OF DUTIES BEING OBTAINED OVER THE AP PROCESS?

REVIEW AND ANALYSIS

- ANALYSIS OF ACCOUNTS PAYABLE
- VARIOUS REPORTS CAN BE USED TO ANALYZE THE ACCOUNTS PAYABLE PROCESS:
 - BUDGET-TO-ACTUAL REPORTS ALLOW MANAGEMENT TO:
 - REVIEW BUDGET PERFORMANCE
 - INDICATE POTENTIAL AREAS OF CONCERN
 - PLAN FOR FUTURE GROWTH
 - INVOICE BY VENDOR REPORTS ALLOW MANAGEMENT TO:
 - REVIEW FOR BID LAW AND PUBLIC WORKS LAW COMPLIANCE
 - SEARCH FOR UNAPPROVED VENDORS

REVIEW AND ANALYSIS

- BID LAW COMPLIANCE
- **CODE OF ALABAMA 1975, SECTION 16-13B-1**
 - ALL EXPENDITURES OF FUNDS OF WHATEVER NATURE FOR LABOR, SERVICES, WORK, OR FOR THE PURCHASE OF MATERIALS, EQUIPMENT, SUPPLIES OR OTHER PERSONAL PROPERTY.
 - ACT 2023-203
 - BOE BID LAW INCREASED THRESHOLD TO \$40,000.00 EFFECTIVE 8/1/2023
 - CONTROLS SHOULD BE IMPLEMENTED TO PERIODICALLY REVIEW AND ANALYZE EXPENDITURES TO DETERMINE IF THEY MUST BE BID.

REVIEW AND ANALYSIS

- PUBLIC WORKS LAW COMPLIANCE
- **CODE OF ALABAMA 1975, SECTION 39-2-1**
 - PUBLIC WORKS: THE CONSTRUCTION, INSTALLATION, REPAIR, RENOVATION, OR MAINTENANCE OF PUBLIC BUILDINGS, STRUCTURES, SEWERS, WATERWORKS, ROADS, CURBS, GUTTERS, SIDE WALLS, BRIDGES, DOCKS, UNDERPASSES, AND VIADUCTS AS WELL AS ANY OTHER IMPROVEMENT TO BE CONSTRUCTED, INSTALLED, REPAIRED, RENOVATED, OR MAINTAINED ON PUBLIC PROPERTY AND TO BE PAID, IN WHOLE OR IN PART, WITH PUBLIC FUNDS OR WITH FINANCING TO BE RETIRED WITH PUBLIC FUNDS IN THE FORM OF LEASE PAYMENTS OR OTHERWISE
 - ACT 2023-497
 - PUBLIC WORKS LAW INCREASED THRESHOLD TO \$100,000.00 EFFECTIVE 9/1/2023
 - CONTROLS SHOULD BE IMPLEMENTED TO PERIODICALLY REVIEW AND ANALYZE EXPENDITURES IF DISBURSEMENTS ARE SUBJECT TO PUBLIC WORKS LAW.

INTERNAL CONTROLS

INTERNAL CONTROLS SHOULD BE DERIVED FROM COMMON SENSE QUESTIONS:

- 1) WHAT COULD GO WRONG WITH THE AP PROCESS WITHOUT ANY CONTROLS?
- 2) WHAT PROCEDURES CAN WE PUT IN PLACE TO MAKE SURE THOSE WRONG THINGS DO NOT HAPPEN?
- 3) WHAT DO I NEED TO DOCUMENT TO ENSURE THERE IS PROPER REVIEW AND APPROVAL OF THE CONTROL IMPLEMENTED?



INTERNAL CONTROL WEAKNESS

- WEAKNESSES IN INTERNAL CONTROLS ARE CAUSED BY:
 - POOR MANAGEMENT DECISIONS:
 - MISLEADING INFORMATION
 - INADEQUATE INFORMATION
 - BUSINESS INTERRUPTION
 - SYSTEM BREAKDOWNS (IT, PANDEMIC, LOSS OF KEY EMPLOYEE)
 - ERROR CORRECTION (PROPER ACCOUNTING ERRORS, POOR DOCUMENTATION)
 - FRAUD CONSIDERATIONS
 - MANAGEMENT, STAFF, VENDORS, PUBLIC

INTERNAL CONTROL WEAKNESS

- WEAKNESSES IN INTERNAL CONTROLS INCREASE RISK OF:
 - STATUTORY SANCTIONS:
 - PENALTIES FROM FAILURE TO COMPLY WITH LAWS AND REGULATIONS.
 - EXCESSIVE COSTS
 - UNALLOWABLE PURCHASES, DUPLICATE PAYMENTS
 - DEFICIENT REVENUES
 - LACK OF REVENUE RECONCILIATION PROCEDURES (LOST REVENUES)
 - MISAPPROPRIATION OF ASSETS
 - LOSS OF PHYSICAL ASSETS (CASH, INVENTORY, PERSONAL PROPERTY)

CONTACT INFORMATION

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QUESTIONS?

