

Internal Controls



PURPOSE

This board exercise will clarify methods used by your organization to process financial transactions. It will identify who currently handles different accounting tasks and indicate if there is adequate segregation of duties. Strengthening internal accounting controls protects the organization's financial assets against theft and protects those performing the financial duties against erroneous accusations.

INSTRUCTIONS

Step One: Select one person from your board that is willing to compile the answers to this short questionnaire. This person should not be involved in the financial processes of your organization in any way (doesn't write checks, sign checks, prepare financial statements, reconcile bank accounts, etc).

Step Two: Make a copy of the questionnaire for each board member and take 10 minutes during your board meeting to have everyone complete it. Return completed questionnaires to the person selected above. *Note: Do not distribute this instruction page with the questionnaire.*

Step Three: Either before your board meeting or after, distribute this same questionnaire to:

- **All staff.** If you are a large organization limit this to individuals who are involved in the financial process. Be sure to include those individuals who handle other financial activities as well (i.e. opening the mail, if you receive payments this way).
- **Any committee members** who handle financial activities.
- **Any volunteers** who handle financial activities.
- **Any subcontractors** or others outside your organization who handle any of your financial activities.

NOTE: Make sure the completed questionnaires go directly to the person in Step One. This can be accomplished by providing a self-addressed, stamped envelope.

FOLLOW-UP

The answers to the questionnaire will give you the first opportunity to see an overview of who handles what part of your accounting process. Check on such best practices as:

- Not having the same person writing and signing checks;
- Not having the same person handling many aspects of the process;
- Not making debit cards available (which are much higher-risk than credit cards); etc.

Your organization's board needs to annually discuss how much risk is acceptable and alter your system accordingly. You may need professional help with this. There may be someone with a financial background in your community who would be willing to help.

Internal Control Questionnaire



Name: _____ Date: _____

Title: _____ How long have you been in this position? _____

Your Role: Employee Board Member Volunteer Independent Accountant/Bookkeeper
 Other _____

Do You...	Always	On Occasion	Never
Approve Invoices	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Write Checks	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Sign Checks	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Mail/distribute checks after they are signed	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Handle day-to-day bookkeeping	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Prepare financial reports/statements	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Receive & review bank statements	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Pay bills electronically	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Transfer funds between accounts	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Handle other online banking (describe on back)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Handle incoming revenue (describe on back)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Prepare deposit slips	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Make bank deposits	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Compute payroll	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Open the mail	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Have an organizational Credit Card / Debit Card	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Handle cash (describe on back)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Please list your other financial and accounting duties here and/or on the back:
