

## **SECTION 1.2 – INTERNAL CONTROLS**

### **INTRODUCTION**

Internal control is a plan of organization under which employees' duties are arranged and records and procedures are designed to make it possible to exercise effective accounting control over assets, liabilities, revenues, and expenditures. Good internal controls are designed to:

- Safeguard assets
- Ensure the accuracy and reliability of accounting data
- Promote operational efficiency
- Ensure adherence to managerial policies and state and federal statutes

### **WRITTEN POLICIES AND PROCEDURES**

The District has developed written policies and procedures and this ASB Manual for the ASB. Board Policies and Procedures provide Board authorization and framework for ASB activities. The ASB Manual provides informational references, the details of the necessary procedures and organizational guidelines and instructions in the correct method for processing transactions and identifying critical checks and balances that must be included to ensure accuracy.

### **SEPARATION OF DUTIES**

Employee responsibilities should be subdivided so that no single employee is responsible for authorizing, processing, recording and reviewing a single transaction. This system helps ensure that errors and irregularities do not occur or that if they do occur, they are identified and corrected promptly. In a one-person office, it is critical to have routine reviews by management or supervisors and to have management or supervisory involvement in approving individual transactions to maintain the required separation of duties.

### **DOCUMENTATION**

All ASB transactions should be promptly and accurately recorded within district authorized systems and/or on pre-numbered documents as appropriate. The numeric sequence of documents should be controlled and accounted for.

### **ROUTINE RECONCILIATIONS**

An independent party should routinely compare recorded figures to actual assets. Some reconciliations such as deposit reconciliations and bank reconciliations are prepared on a monthly basis by building and/or district personnel. Other reconciliations are the responsibility of an independent, outside party such as routine reviews by internal auditors or state examiners. All reconciliations are designed to ensure that documents accurately reflect the value of district assets.

### **SECURITY**

Physical access to cash, checks, pre-numbered documents, fundraising products, ASB records, and other ASB assets should be limited to authorized individuals. Limited access protects assets and assigns responsibility in the event of missing items.

**RECORDS RETENTION**

The Washington State Division of Archives and Records Management establishes the time period for retaining all documents. Retention of documents is necessary for future review by state examiners and to provide supporting documentation for future research of previous transactions.