

# **Financial Controls and Procedures**

## **Segregation of Duties**

No single person controls all aspects of a financial transaction. Separate: Authorization, recording, custody, reconciliation.

Reduces fraud risk and errors. Small teams may require compensating controls like management review.

## **Authorization Controls**

Transactions require appropriate authorization based on amount and type. Authorization matrix defines approval authorities.

Approvers verify business purpose, budget availability, and policy compliance. Document approvals in system.

## **Reconciliation Procedures**

Bank reconciliations performed monthly within 10 days of month-end. Investigate and resolve discrepancies promptly.

Account reconciliations for all balance sheet accounts. Reconciler and reviewer must be different people.

## **Cash Handling**

Minimize cash transactions - use electronic payments when possible. Cash receipts deposited daily.

Cash counts performed by two people. Cash access restricted to authorized personnel. Surprise cash counts conducted periodically.

## **Payment Controls**

Payments require approved invoice, PO, and receiving confirmation (3-way match). Verify vendor banking details before first payment.

Dual approval for payments over \$25000. Positive pay system prevents check fraud. ACH payments require dual authorization.

## **Revenue Recognition**

Revenue recognized when earned and realizable per accounting standards. Document revenue recognition criteria for each revenue stream.

Review contracts for revenue recognition implications. Deferred revenue for advance payments.

## **Expense Accruals**

Accrue expenses incurred but not yet invoiced. Review accruals monthly for accuracy. Reverse accruals when invoice received.

Estimate accruals based on contracts, POs, or historical patterns. Document accrual methodology.

## **Asset Management**

Maintain fixed asset register with acquisition date, cost, location, and depreciation. Tag physical assets for tracking.

Annual physical inventory of assets. Investigate missing assets. Dispose of obsolete assets properly with approval.

## **Journal Entry Controls**

Journal entries require supporting documentation and business purpose. Unusual or complex entries require additional review.

Restrict journal entry access to accounting personnel. Management reviews significant entries. Audit trail maintained.

## **Month-End Close Process**

Standardized close process with checklist and deadlines. Close typically completes within 5 business days.

Review financial statements for reasonableness. Investigate unusual variances. Document significant estimates and judgments.

## **Financial Reporting**

Monthly financial statements prepared for management. Quarterly reports for board. Annual audited statements.

Reports include: Income statement, balance sheet, cash flow, budget variance analysis. Narrative explanation of results.

## **Internal Control Testing**

Periodic testing of key controls. Document control procedures. Test samples of transactions.

Identify control deficiencies and remediate. Report significant deficiencies to audit committee.