

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.