

INTERNAL CONTROL OF CASH RECEIPTS

The superintendent shall develop a plan of organization under which employees' duties are so arranged and records and procedures so designed as to make it possible to exercise effective accounting control over assets, liabilities, revenues, and expenditures. The work of employees shall be subdivided so that no single employee performs a complete cycle of operations. The procedures to be followed shall be definitely laid down and require proper authorization by designated officials for all actions to be taken.

All monies shall be receipted to the school district using pre-numbered receipts in a bound book or ledger. Under no circumstances shall monies be deposited to any bank account without a proper receipting of such monies. Any and all documentation necessary to support the cash receipts shall be maintained on file.

ADMINISTRATIVE CONTROLS include, but are not limited to, the plan of organization and the procedures and records that are concerned with the decision processes leading to management's authorization of transactions. Such authorization is a management function directly associated with the responsibility for achieving the objectives of the organization and is the starting point for establishing accounting control of transactions.

ACCOUNTING CONTROLS comprise the plan of organization and the procedures and records that are concerned with the safeguarding of assets and the reliability of financial records and consequently are designed to provide reasonable assurance that:

1. Transactions are executed in accordance with management's general or specific authorization.
2. Transactions are recorded as necessary (a) to permit preparation of financial statements in conformity with generally accepted accounting principles or any other criteria applicable to such statements and (b) to maintain accountability for assets.
3. Access to assets is permitted only in accordance with management's authorization.
4. The recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

Characteristics of reliable internal control systems are:

1. Segregation of Responsibilities -- This characteristic is sometimes referred to as "division of duties." There should be segregation of the three main duties associated with transactions. These are:
 - a. Authorization to execute a transaction.
 - b. Recording the transaction.
 - c. Custody of assets involved in the transaction.

2. Authorization and Record Procedures -- This characteristic refers to "a system of authorization and record procedures." Such a system means that approved procedures and methods should be employed by management's accounting function.
3. Sound Practices -- This characteristic refers to "sound practices in the performance of duties and functions." Sound practices refers to the many and varied error-checking routines that may be performed in connection with record keeping, including periodic comparison of recorded amounts with existing assets and liabilities.
4. Quality of Personnel -- This characteristic is the most important and the most difficult to evaluate. This refers to the "competence of personnel."
5. Actual System Performance -- Any system may be beautifully designed, but if the personnel do not operate the system as designed, then the system exists only on paper.

SOURCE: Mississippi School Board Association
DATE: December 20, 2016
REVIEWED: April 4, 2017