



Authorization Concepts and Best Practice

| Key Concept | Best Practice |
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| <p>Level of authority should be documented: Creates an expectation of responsibility and accountability. Authority to perform a particular action may come in hard copy documents or system generated authority (example: system access)</p> | <p>-Policies and procedures within the organization should clearly identify which individuals have authority to initiate, submit, reconcile, view or approve different types of transactions.</p> |
| <p>Know what you are authorizing: Individuals should have first hand knowledge of the transactions being approved, or they should review supporting documentation to verify the validity and appropriateness of transactions.</p> | <p>-Employees should be properly trained and informed of procedures related to internal controls</p> |
| <p>Authorization should be timely: Workflow is an important aspect of good internal controls. Time lags between approval and processing provide opportunities for altered documents and potential fraud.</p> | <p>-Many falsifications occur after the approval of a transaction. The workflow process should stress timely authorizations as well as timely processing following approval.</p> |



Documentation Key Concepts and Best Practices

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| <p>Format of source documents: Well designed documents help ensure the proper recording of transactions. Consistent use of standard forms or templates should be considered whenever possible.</p> | <p>-The advance of online applications provides a fast and efficient method for accessing supporting documentation in a standard format. In other areas, wherever possible, the use of templates provides the same benefits.</p> <p>-Consider creating templates for activities such as:</p> <ul style="list-style-type: none">• Email approvals• Time reporting• Reimbursement logs (such as mileage logs, petty cash, others) |
| <p>Ownership of documents: Documents used to support school business transactions are school property, not the personal property of employees.</p> | <p>-Whenever possible, do not allow employees to take school owned records home. If business needs require school records to be taken home, communicate to employees their responsibility to keep the documents secure, particularly those containing personal information. This is particularly important to communicate to employees that have telecommuting agreements.</p> |
| <p>Documenting changes: Changes made subsequent to approval of documents should be clear and concise.</p> | <p>-Use attachments or footnotes to document the reasons for corrections/adjustments to any records. Make the time/date and the approval of such corrections/adjustments clear and evident.</p> |



Documentation Key Concepts and Best Practices

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| <p>Avoid duplicate processing: Establish a method to avoid duplicate processing, especially in regards to transactions that result in payments to individuals such as payroll, petty cash and travel reimbursements.</p> | <ul style="list-style-type: none">-Build a check for duplicate payments into the processing and approval of payroll, petty cash ,travel reimbursements, and vendor payments.-Create an environment in which all payments are processed in a timely manner. Long delays in processing create opportunities for duplicate payments that go undiscovered.-Look closely at all late entries to watch for double submission of payments. (Example: late timecards, aged vendor invoices, travel expenses requested at a later time separate from the rest of the trip). |
| <p>Retention: Retention policies exist for all types of supporting documentation. Always keep documents for the appropriate retention period and no longer.</p> | <ul style="list-style-type: none">-Establish a process for purging documents that have reached the end of their retention period. Document who, when and how each record type should be purged.-Be aware of record retention responsibilities. |



Reconciliation Key Concepts and Best Practices

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| <p>Accuracy of activity: A good internal control system provides a mechanism to verify that transactions and activity are for the correct purpose and amount, and allowable.</p> | <ul style="list-style-type: none">-For each type of activity consider documenting the particular information from source documents that is to be compared to the appropriate report. This assists to ensure that transactions are valid and are correct in purpose. (example: determine that for travel reimbursement source documents, the traveler name, destination, purpose of the trip, etc. will be matched to the monthly financial report)-Ensure that transactions have been properly authorized. Especially, if the source documents are paper based, review for potential changes to the document between approval and processing of transactions.-Ensure that all transactions are allowable. |
| <p>Errors correction: Errors and discrepancies, intentional or unintentional, should be detected, investigated and resolved in a timely fashion.</p> | <ul style="list-style-type: none">-If an error or discrepancy is identified between a report and source documentation, follow up with the appropriate central office or processing department to seek clarification. A journal entry or other action may be needed to resolve the issue. |



Reconciliation Key Concepts and Best Practices

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| <p>Matching to the source: The oversight of any transaction is strengthened by the process of matching source documentation of the transaction to the appropriate reporting documentation or reporting tool.</p> | <p>-Comparing board approved budgets to actual revenues and expenditures is one example of using the appropriate reporting tool in reconciling transactions. Any discrepancies found can be researched to the source documentation.</p> |
| <p>Documenting the process and completion: Reconciliation processes are most effective when they are consistent and thorough. Employees involved in the reconciliation process should be knowledgeable and clear on their responsibilities and expectations. It should be clear to an external reviewer when a reconciliation has been completed.</p> | <p>-Be consistent with reconciliation processes. Changing the reconciliation process often leads to undiscovered inaccuracies and potential fraud.</p> <p>-Reconciliation should be documented clearly to verify that a review has been done. (reviewed by and date)</p> <p>-The reconciliation process and procedures should be documented clearly and communicated. Consider documenting:</p> <ol style="list-style-type: none">1. The steps in the process2. Who performs each step3. Expectation regarding timeliness4. A mechanism for providing proof that all activity has been reviewed and reconciled5. A procedure for error correction |



Security Key Concepts and Best Practices

| Key Concept | Best Practice |
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| Designate a point person | -Designating a point person for all areas or individually for the 3 types of security provides an established responsibility and accountability for proper security procedures |
| Administrative organization | -Keep an up-to-date organizational chart that defines the reporting relationships as well as responsibilities, including back-up responsibilities, regarding internal controls within the school. |
| Access to electronic records: Limit access to records and assets to those who have been authorized and have a business need for them | -Establish and communicate standards for screensavers and password protected screens. -Setup password protected access to electronic records. -Do not allow electronic records to be downloaded to mobile workstations and transported outside of the office. |
| Physical access to records and assets: Limit access to records and assets to those who have been authorized and have a business need for them. | -Keep file cabinets locked and secure -Ensure unused assets are stored in a secure location (i.e. laptops etc.) |
| Employee turnover: Limit access to records and assets to those who have been authorized and have a business need for them. | -Develop a checklist for removing access to records upon separation of an employee. Develop a process and assign a point person the responsibility of administering the process for deleting access to records. |
| Passwords: | -Have a prescribed standard for departmental passwords. Make them complex and enforce a policy for changing passwords periodically. |



Separation of Duties Key Concepts and Best Practices

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| <p>School differences: Separation of duties may vary depending on the size of the organization and structure</p> | <p>-Duties may be separated by department or by individuals within a department. The level of risk associated with a transaction should come into play when determining the best method for separating duties.</p> |
| <p>Demonstration: Separation of duties should be able to be demonstrated to an outside party.</p> | <p>-Documentation of processes and authorization is helpful in demonstrating a system of control that includes separation of duties.</p> |
| <p>Document the responsibilities: Separation of duties should be clearly defined, assigned and documented.</p> | <p>-Document and clearly communicate who will initiate, submit, process, authorize, review and/or reconcile each activity within the unit.</p> |
| <p>Review and oversight: Management should increase the review and oversight function when it is difficult to sufficiently separate duties.</p> | <p>-Assess the potential for mistakes or fraudulent transactions. If the separation of duties is not sufficient to eliminate or adequately reduce the risk of discovering errors, the level of review of management should be increased over the particular activity.</p> |