

# Exhibit C

## An Internal Control Checklist – For Small Towns

### Organizational Checklist:

- Duties should be segregated (**to the extent possible**).
- One person should not be in control of all of the major accounting responsibilities.
  - Example: the person having custody of the assets should be different from the one handling the record keeping.
  - Example: the person preparing the bank reconciliation should be different from the one keeping the books and controlling cash.
  - Example: the person signing the checks should be different from the one keeping the books and controlling cash.
- The Town Council should regularly receive and review periodic (monthly) financial reports, and discussions regarding financial matters should be documented in the minutes.

### Financial Checklist:

- Comparisons of budgeted and actual revenues and expenditures are made in periodic (monthly) financial reports.
- Compare results with actual year-to-date results from the same period in the prior year.
- Checks received should be restrictively endorsed upon receipt.
- Checks received should be deposited the same day they are received and a receipt log should be maintained.
- Checks paid should have accompanying documentation when reviewed and signed.
- Invoices should be approved and signed off on (or initialed) before payment.
- Only original invoices should be paid to avoid duplication of payment.
- Each invoice should be marked “paid” when the check is prepared.
- Have fidelity bond coverage.

### Processes and Procedures Checklist:

- Two signatures should be required for large checks.
  - Example: amounts paid over \$1,000 may require a second signature, such as by the Executive Director and Treasurer of the Board. This is one way of having internal controls for expenditures when the staff of the organization is small.
- Use pre-numbered documents such as invoices and checks for easier tracking.
- All journal entries should be reviewed and approved.
- Policies should be communicated throughout the staff and Town Council.
- Train staff on the importance of accounting controls.

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### Documentation Checklist:

- Supporting documentation such as deeds for buildings and loan agreements should exist for transactions.
- Internal control policies and procedures should be documented in an accounting policies and procedures manual or similar document. This practice saves significant time when the auditor comes in to perform the external financial audit.
- Have procedures in place to periodically check to see that all transactions are recorded in the proper account(s) as well as in the proper amount.
- Have a conflict of interest or ethics statement in place.

### Security Checklist:

- Assets should be safeguarded (e.g., proper security should be used).
- Authorized levels of staffing and budgeting should exist.
- Use appropriate levels of computer security for staff, such as one or two-level passwords for entry into the accounting system, and change them regularly.