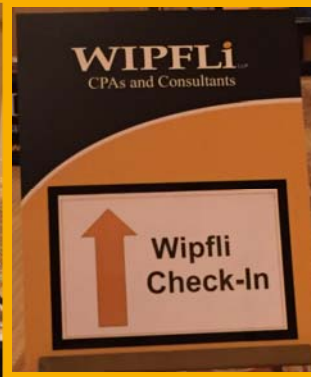


Internal Controls over Expenditures



Trainer: Anthony Gerharz, CPA

WIPFLI
CPAs and Consultants

Materials/Disclaimer

Please note that these materials are incomplete without the accompanying oral comments by the trainer(s).

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Outline

After today's session, you will have a better understanding of the following:

- Why internal controls are so crucial to your district
- Internal controls over expenditures and types of controls that should be in place.
- Internal controls over expenditures related to P-Cards and Credit Cards.

Question Time!

- When was the last time you reviewed and updated your accounting policies and procedure manual?
- How many of you receive federal monies that require you get a single audit?
- How many of you rely on your external auditor as your main deterrence to fraud and or abuse?

Fun Facts about Fraud

How occupational fraud is detected:

- 40% Tips
- 15% Internal audit
- 13% Management review
- 7% By accident
- 6% Other
- 5% Account reconciliation
- 4% Document examination
- 4% External Audit
- 3% Surveillance/monitoring
- 2% Notified by law enforcement
- 1% IT controls
- 1% Confession

Fun Facts Continued

Less than 100 Employees

- Median loss: \$200,000
- 42% of these are caused by the lack of internal controls.
- 29% of these are perpetrated by an owner/executive

More than 100 Employees

- Median loss: \$104,000
- 25% of these are caused by the lack of internal controls.
- 16% of these are perpetrated by an owner/executive

Fun Facts Continued

In government and public administration, the median loss is \$125,000, while in education, the median loss is \$68,000

	Government and public administration	Education
# of Cases	184	96
Billing	15%	23%
Cash larceny	11%	19%
Cash on hand	11%	19%
Check and payment tampering	9%	6%
Corruption	50%	38%
Expense reimbursement	11%	18%
Financial Statement Fraud	5%	6%
Noncash	22%	19%
Payroll	7%	6%
Register disbursements	2%	0%
Skimming	11%	14%

Fun Facts Concluded

All of the proceeding information was obtained from the Association of Certified Fraud Examiners Biannual “Report to the Nation”

<http://www.acfe.com/>

Controls over Expenditures

- Policies should apply to all purchases.
- Code of conduct section:
 - Conflict of interest.
 - Disallow, gifts, or gratuities.
- Outline who has the authority to initiate purchases.
- Outline purchasing limits and what approvals are needed.
- If purchase orders are used what procedures are in place.
 - Who can initiate a PO.
 - Who can approve a PO.

Controls over Expenditures

- Segregation of duties:
 - Separate initiation of transaction from custody of assets and recordkeeping.
- Procedures for payment:
 - Who records payments.
 - Who reconciles PO, invoice, and receiving report prior to entry into the accounting system, and verifies all approvals for the purchase have been obtained.
 - Who can approve payment of expenditures.
- How to properly date an invoice in the accounting system.
- Address Uniform Guidance for federal awards, if necessary.

Credit Cards and P-Cards

How many of you have credit cards or purchasing cards (P-Cards)?

Want to minimize credit card risk?

- The best way to remove credit card risk is to have no credit cards; this may also require personnel to utilize personal cards and request reimbursement.
- Use of credit cards or purchasing cards can make it easy to circumvent procurement policies and procedures, so monitoring their usage must include assurance that all appropriate purchasing procedures were followed.
- Remind card users that using a credit card does not relieve the user from following the established procurement policies and procedures. A credit card is a payment method, not a procurement procedure.

Credit Card Policies and Procedures

- Acceptable use policy for the use of credit cards or P-card.
 - Cards are used only for district business; personal use is not allowed.
 - Establish what the card can be used for, i.e. gas (if not receiving mileage), lodging, meals, registration and supplies.
 - Include consequences for misuse of card.
- Card should have an issuance procedure in writing.
- Cards should have a policy related to restrictions.
- Define circumstances which would lead to card cancellation or card privileges revoked.

Example Issuance Policy

- A [Department Head] must submit a written request to the [committee of jurisdiction] for approval.
- A [Department Head] must submit a written request using the credit card request form (to the Local Government Clerk's office) to receive a credit after the [committee of jurisdiction] approves. The request must include the person's name, credit limit, and justification for the credit card.
- The [Finance Committee] shall review the request and grant or deny approval of the credit card request. Upon approval of the request, the employee will fill out an employee agreement form and forward to the [Finance Department]. The [Finance Department] will apply for the credit card on the on line credit card website.
- The [Finance Department] shall maintain all records of credit card requests, approvals/denials, and lost/stolen/destroyed card information.
- The [Department Head] shall monitor the use of the department's credit cards.

Restriction on Cards

- Cards are to be used for district business only; no personal use is allowed.
- Card limits allowed for each user.
- Cards are to only be used by the employee whose name is on the card or who is assigned the card.
- Cash advances are not allowed.
- Telephone calls are not allowed.
- Prior to separation, all credit cards should be returned.
- An employee agreement shall be signed and filed with the finance department.

Restrictions - continued

- All credit card receipts and monthly statements must be attached to the card statements.
- Management will review and approve all transactions. Any transaction submitted without proper documentation shall be deemed the personal obligation of the employee making that transaction.
- Cards will not be used for cash cards, gift certificates, or other reimbursable items.

Consequences/Cancellation of Cards

- If late fees are charged to the account, the district may cancel the card.
- Failure to turn in receipts may result in the cancellation of the card and the employee being asked to reimburse the district for unsubstantiated charges.
- Any individual or department who violates the above procedures may have their card privileges terminated by the district.

Other Strong Controls

- Keep online ordering entirely to an assigned individual; this individual should not receive the goods or reconcile statements.
- Staff ordering goods are not the one receiving the goods.
- Statements do not go to the cardholders.

Is this an acceptable receipt?

[REDACTED]

North Broadway
Billings, MT 59101

Server: Brik DOB: 05/25/2018
03:51 PM 05/25/2018
Table 24/1 1/10033

SALE

MC 6291509
Card [REDACTED]
Magnetic card present: [REDACTED]
Card Entry Method: S

Approval: 03596P

Amount: \$9.00

+ Tip:

= Total:

I agree to pay the above
total amount according to the
card issuer agreement.

X

How about now?

[REDACTED]
North Broadway
Billings, MT 59101

Server: Brik 008: 05/25/2018
03:51 PM 05/25/2018
Table 24/1 1/10033

SALE

MC 6291509
Card [REDACTED]
Magnetic card present: [REDACTED]
Card Entry Method: S

Approval: 03598P

Amount: \$9.00
+ Tip: _____
= Total: _____

I agree to pay the above
total amount according to the
card issuer agreement.

X _____

[REDACTED]
North Broadway
Billings, MT 59101

Server: Brik 05/25/2018
Table 24/1 3:18 PM
Guests: 0

#10033

Helles Lager (2 @4.50) 9.00
Subtotal 9.00
Total 9.00

Balance Due 9.00

Thank You For Your Business!
Please Come Back Soon!
Check Out Our Daily Lunch,
Dinner, & Drink Specials!!!
WE DO NOT ACCEPT CHECKS!!!

Questions?

Contact Information

Anthony B Gerharz, CPA | Manager | Wipfli LLP

Direct: 406.206.3591 | Office: 406.248.1681

Email: tgerharz@wipfli.com