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CARROLL COUNTY INTERNAL CONTROL POLICY

Financial Process: **Accounts Payable**

Issue Date: 2016 , *MAY 13*

Topic: Internal Control Procedures

Applicable To: All County Departments

Objective

Departments shall implement techniques and procedures for the proper approval and payment of expenditures of public funds for goods and services incurred to support its programs. Proper internal controls effectively and efficiently minimize the risks associated with accounts payable and purchasing activities, reduce the risks of fraud and costly errors, and protect the assets of the county.

Risks

- Unauthorized or fraudulent purchases/payments. (High degree of inherent risk)
- Duplicate payments to vendors
- Payments to vendors prior to vendor terms which negatively impact the County's cash flows
- Late payments to vendors resulting in late fees and loss of goodwill
- Inefficient processing of payments

Definition

The term "accounts payable" refers to processing payment for invoices and contracts for goods and services incurred by Carroll County.

(This document does not address "Petty Cash" disbursements which are discussed separately under Best Practices – Petty Cash.)

Internal Control Procedures Include

(Refers to category of Control Activity as described in Internal Control Standards Guide)

- The Department Head should establish who will be responsible for the initiation, review and approval of all accounts payable expenditures.

(Documentation)

- The Finance Department is responsible for all account payable disbursements and the review that all expenditures are properly accumulated, classified and summarized in the accounting records.

(Documentation & Reporting)

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-Appropriate segregation of duties and responsibilities must be considered. Responsibilities for performing ordering/purchasing, receiving of goods, approval of invoices, and posting to the accounting records should be segregated and assigned to different persons (if practicable).

(Separation of Duties & Safeguarding of Assets)

-Department Heads must ensure that the detail captured on the invoices and reimbursement forms is at sufficient detail to meet any federal or state requirements for charging the costs to grants, programs, or projects; maintain supplemental activity reports as necessary to meet these requirements.

(Compliance and Reporting)

-The Finance Department will be responsible for the processing of accounts payable checks on a weekly basis through the ACS accounts payable system and check printing software. ACS accounts payable is part of an integrated system which interfaces directly and posts in real-time with the County's accounting system. Each staff member of the Finance Department will be required to login to ACS via a unique secure password.

(Compliance & Safeguarding of Assets)

-The Finance Department will be responsible for ensuring that all transactions are processed in accordance with federal and state laws.

(Compliance, Verification & Reporting)

-All account payable checks will require two signatures from the Board of Commissioners and the Treasurer signature. The invoice for each individual check must be attached to each check and reviewed by the Commissioners before being signed by two Commissioners and the same process for the Treasurer must be completed prior to the accounts payable checks being mailed.

(Authorization)

-The Finance Department will be responsible to mail all accounts payable checks to vendors and for distributing all employee reimbursement checks to the employees. During the period of time from check processing to distribution, the accounts payable checks will be sealed in an individual envelope and will be held in the Commissioners' Office until mailed out. Employee reimbursement checks will be distributed directly to the employees' Department Head or designee. The Department Head is responsible for securing any employee reimbursement checks in a secure and locked location until distributed directly to the employee. A signature granting permission to pick up another employee's reimbursement check will be required from any person who picks up a reimbursement check other than his/her own. Written permission and photo identification is required each time.

(Safeguarding of Assets & Separation of Duties)

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-All invoices should be received in a central location, such as the business office of the department or the Finance Department.

(Monitoring & Separation of Duties)

-The Finance Department requires date stamping of invoices indicating date of receipt. This can help to identify "bottlenecks" and process weaknesses.

(Reconciliation & Documentation)

-Invoices must be billed to a responsible department of Carroll County.

(Authorization & Verification)

-Payments are made upon receipt of original invoice only. Payments will at no time be made from packing slips, statements, etc. Payments made to employees for mileage or supply cost reimbursements must be listed on the County's reimbursement form accompanied by corresponding receipts.

(Verification & Documentation)

-Invoices and reimbursement forms should be presented to the Finance Department in a format which allows for the detailed examination and comparison of invoice quantities, prices and vendor terms and discounts.

(Authorization & Verification)

-Invoices should be matched to requisition, receiving documents such as bill of lading or packing slips, contracts.

(Verification)

-When an invoice or reimbursement form presented for payment is incorrect, the department head is responsible for notifying the vendor immediately and request that it be corrected and re-submitted by the vendor.

(Verification & Monitoring)

-All invoice reimbursement forms must be reviewed and approved by an authorized person prior to payment. Department Heads should maintain a listing of those persons who may authorize and approve invoices with a dollar limit assigned based on the person's level of responsibility with the organization. The authorization must include the original signature of the department head, the account numbers that the invoice is to be charged to, and the initials of the person who coded the invoice. Prior to any payments being made, the Vendor shall have an approved vendor form on file in the County Finance Office.

(Authorization & Approval)

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-An employee, supervisor, or Department Head shall not approve documents which affect the employee's own pay or pay of a family member, formal approval at a higher administrative level is necessary.

(Separation of Duties)

-The Finance Department is responsible to perform monthly reconciliation of the subsidiary payables to the accounts payable control account in the general ledger.

(Reconciliation)

-There will be a one to one relationship between and vendor's invoice and accounts payable invoice. That is, each invoice will become a separate accounts payable record. The one to one relationship rule seeks to provide and facilitate duplicate invoice checking across all County departments. This helps mitigate the risk of paying a vendor invoice more than once.

(Verification & Safeguarding of Assets)

-On a monthly basis, the Finance Department, Department Heads, County Administrator must compare actual costs to budgeted amounts and investigate unusual variances in preparation for the quarterly review by the County Delegation's Executive Committee and Board of Commissioners. The Board of Commissioners may review more frequently if desired.

(Monitoring & Reconciliation)

Notices

-These internal control policies are intended to support the internal control framework as presented in the Internal Control Standards Guide.

-In consideration of these internal control procedures, the objective should be on adherence and not on rationalizing ways and means for circumvention.

-Nothing in this document shall limit or supersede any applicable Federal or State laws, statues, bulletins, or regulations.

 , Chairman
(Dave Sorensen)

 , Vice-Chairman
(Dave Babson)

 , Clerk
(Chris Ahlgren)