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INTERNAL CONTROLS:

A COMPREHENSIVE CHECKLIST FOR BUSINESSES AND NOT-FOR-PROFIT ORGANIZATIONS

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INTRODUCTION

Thank you for downloading Internal Controls: A Comprehensive Checklist for Businesses and Not-for-Profit Organizations.

Internal controls are policies, processes, and procedures every business and not-for-profit organization should have in place to ensure key financial reporting is accurate and free from threats such as fraud, theft, error, or non-compliance.

The ability to produce key financial reports is a very important tool that business leaders use to measure the performance of their company and serve as the basis for key financial decisions; however, to safeguard the integrity of key financial reports, company leaders need to access and monitor the internal controls surrounding the underlying data.

By reducing or eliminating risk of fraudulent activity, theft, accounting errors, and non-compliant activity that may arise due to a lack of awareness, companies can create and foster a control environment conducive to reliable decision-making.

This checklist will serve as a starting point to ask the right questions at your organization.

The Zinner team is focused on creating a strong, solid, and meaningful process of internal controls to create and sustain our clients business for today and many years to come.

If you have any questions about internal controls in your organization or questions about the checklist content, contact us at 216.831.0733 or email me at cvalponi@zinnerco.com. We are happy to help and ready to start the conversation.

Sincerely,
Chris Valponi, CPA
Audit and Assurance Manager

Internal Controls Checklist

CASH RECEIPTS

| | YES | NO | NOT SURE | NOT APPLICABLE |
|--|--------------------------|--------------------------|--------------------------|--------------------------|
| 1. Are checks endorsed “for deposit only” immediately upon receipt? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. Does someone prepare a daily list of all cash and checks immediately upon receipt? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. Are duplicate deposit slips and copies of checks retained in the files? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 4. Is the person who has custody of actual cash and checks different from the person recording them and acknowledging them in case of contributions? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 5. Are all cash and checks deposited intact and on a timely basis? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 6. Are restricted contributions clearly identified and recorded as restricted on the general ledger? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 7. Is all cash received, counted and verified by two employees? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 8. When events involve admission fees, does the agency issue pre-numbered tickets, with a record of tickets printed, issued, used and unused, which is then compared to funds deposited? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 9. Does the organization send acknowledgements to contributors and are copies of or record of such acknowledgements kept on file? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 10. Are all disbursements, except those from petty cash, made by pre-numbered checks? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 11. Are voided checks preserved and filed for future reference? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 12. Is there a written policy against issuing checks payable to “cash”? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 13. Is there a written policy against signing checks in advance? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

Internal Controls Checklist Continued

CASH RECEIPTS CONTINUED

| | YES | NO | NOT SURE | NOT APPLICABLE |
|---|--------------------------|--------------------------|--------------------------|--------------------------|
| 14. Is a cash disbursement voucher prepared for each invoice or request for reimbursement that details the description of expense account to be charged and contains an authorization signature and accompanying receipts and/or vendor invoices? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 15. Are all expenses approved in advance by authorized personnel? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 16. Do the check signors review supporting documentation of expenses and approvals at the time of signing checks? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 17. Are signed checks mailed promptly? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 18. Are paid invoices marked paid or attached to a copy of the check prior to filing? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 19. Are requests for reimbursement checked for mathematical accuracy and reasonableness before approval? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 20. Is check-signing authority vested in persons at appropriately high levels in the organization who do not have any accounting responsibility? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 21. Do checks require two signatures? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 22. Are bank statements and cancelled checks received and reviewed by a person independent of the accounting functions? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 23. Are unpaid invoices maintained in an unpaid invoice file? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 24. Is a list of unpaid invoices regularly prepared, reviewed and compared to those invoices in the unpaid invoice file? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 25. If purchase orders are used, are all purchases supported by a pre-numbered purchase order? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

Internal Controls Checklist Continued

CASH RECEIPTS CONTINUED

| | YES | NO | NOT SURE | NOT APPLICABLE |
|--|--------------------------|--------------------------|--------------------------|--------------------------|
| 26. Are advance payments to vendors and/or employees recorded as receivables and controlled in a manner which assures that they will be offset against invoices or expense vouchers? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 27. Are employees required to submit expense reports for all travel related expenses on a timely basis? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

PETTY CASH

| | | | | |
|--|--------------------------|--------------------------|--------------------------|--------------------------|
| 28. Is an imprest petty cash fund maintained for payment of small, incidental expenses? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 29. Does the organization follow a policy limiting the amount that can be reimbursed by the petty cash fund? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 30. Is supporting documentation required for all petty cash disbursements? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 31. Is a petty cash voucher filled out with supporting documentation, name of person being reimbursed, and proper authorization? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 32. Is access to petty cash limited to one person who is the fund custodian? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 33. Are unannounced counts of petty cash made by someone within the organization other than the fund custodian? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

PAYROLL

| | | | | |
|---|--------------------------|--------------------------|--------------------------|--------------------------|
| 34. Are time sheets required to document employee hours, overtime and what activity the employee worked on? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 35. Are time sheets signed by employees and reviewed and signed by their immediate supervisors? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

Internal Controls Checklist Continued

PAYROLL CONTINUED

| | YES | NO | NOT SURE | NOT APPLICABLE |
|---|--------------------------|--------------------------|--------------------------|--------------------------|
| 36. Are employment records maintained for each employee that detail wage rates, benefits, tax rates, and other pertinent information? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 37. Are withheld employment taxes and employer taxes paid on a timely basis to the taxing authorities? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 38. Do written policies and procedures exist for accounting for vacations, holidays, sick leave, and other benefits? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

FIXED ASSETS

| | | | | |
|--|--------------------------|--------------------------|--------------------------|--------------------------|
| 39. Does the organization have a capitalization and depreciation policy? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 40. Are additions to fixed assets recorded in a fixed asset ledger? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 41. Does the fixed asset ledger list description of each item, serial number, location, date of acquisition, cost or fair value if donated, useful life, depreciation method, accumulated depreciation and funding source if funds were provided by a funding source with restrictions on disposition of assets? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 42. Is the fixed asset ledger reconciled with the general ledger periodically? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 43. Are purchase, transfer and disposal of fixed assets promptly recorded in the ledger? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 44. Does the organization conduct a physical inventory annually and update the fixed asset and the general ledgers? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

Internal Controls Checklist Continued

FINANCIAL CHECKLIST

| | YES | NO | NOT SURE | NOT APPLICABLE |
|---|--------------------------|--------------------------|--------------------------|--------------------------|
| 45. Is a statement of financial position prepared monthly and reviewed by the management and the finance committee? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 46. Are monthly reports comparing income and expenses with approved budget by activity and for the organization as a whole prepared and reviewed by the management and the finance committee? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 47. Is an updated cash flow projection prepared and reviewed by the management and the finance committee? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

GENERAL AREA

| | | | | |
|--|--------------------------|--------------------------|--------------------------|--------------------------|
| 48. Is a chart of accounts used? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 49. Does the chart of accounts provide for tracking expenses by activity? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 50. Does the chart of accounts provide for tracking direct and indirect expenses if the organization receives federal funds? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 51. Does the chart of accounts provide for tracking unallowable costs if the organization expends federal funds? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 52. Are accounting and program staff knowledgeable about all fund source rules, regulations and requirements? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 53. Is fund accounting used to track restricted grants and the spending related to them? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 54. Are accounting records up to date, and monthly financial statements prepared on a timely basis (timely being defined as 10 days to 3 weeks maximum)? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 55. Does the board of directors approve the annual budget? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

Internal Controls Checklist Continued

| GENERAL AREA CONTINUED | | YES | NO | NOT SURE | NOT APPLICABLE |
|------------------------|--|--------------------------|--------------------------|--------------------------|--------------------------|
| 56. | Does an accounting procedure and policies manual exist that is reviewed and revised annually? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 57. | Do accounting staff take an annual vacation and are their basic duties performed by someone else in their absence? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 58. | Are all appropriate federal, state, and local information returns filed on a timely basis? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

ABOUT THE AUTHOR



Chris Valponi, CPA
Audit and Assurance Manager

Chris is a member of our audit and assurance practice with extensive experience in audits of companies across many industries, including medical, real estate, manufacturing, distribution and not-for-profit organizations.

Chris' specialty is performing audits of for-profit and not-for-profit entities including employee benefit plans, HUD assisted multi-family housing projects, labor unions and OMB Circular A-133/Uniform Guidance.

Chris supervises the audit engagements, oversees the day-to-day financial fieldwork, assists with the preparation of the financial statements, and serves as a technical resource for our clients. Keenly aware with an eye for red flags, he will assist in the recognition and resolution of any identified accounting and auditing issues which may impact company operations.

Chris is a member of the Ohio Society of CPAs and the American Institute of CPAs. He is Yellow Book certified and holds a Bachelor of Business Administration in Accounting from Ohio University.

ABOUT ZINNER & CO.



Zinner & Co. continually strives to deliver superior audit, tax and accounting services to individuals, corporations and not-for-profit organizations. Founded in 1938 by Harry Zinner in Cleveland, Ohio, the Firm, headquartered in Beachwood, Ohio, employs over 30 professionals. The Firm is consistently recognized as one of Cleveland's largest accounting firms by Crain's Cleveland Business.

The Firm is owned and managed by five partners, Gabe Adler, Howard Kass, Susan Krantz and Brett Neate, with Robin Baum serving as managing partner. The Firm has received an unmodified opinion in its most recent peer review.

The Zinner practitioners are deeply experienced, well-positioned, uniquely qualified, and ready to assist. Our credentialed practice group leaders help clients gain their competitive advantage.

As a professional doing business in Ohio, rely on the Zinner team to help you, whether your company is at start-up, seeking sustainability, or ready to implement a succession plan.

How We Help Our Clients

Tax Service for Businesses and Individuals

As you know, tax season does not end in April with compliance filing. Taxes are a year-round concern that requires effective, ongoing planning. Because our tax experts stay up-to-date on changes in tax laws and their applications, our individual, corporate and not-for-profit clients become better positioned to improve efficiencies and reduce tax liability.

Estate, Gift, and Trust

Our work with trustees, executors, individuals and their advisors has helped clients and their families develop and manage plans that meet financial goals while leaving a sustainable legacy. Our team will guide, counsel and prepare estate, gift and trust tax filings, pre- and post-death strategic estate planning, and fiduciary advisory services to ensure intentions are met and compliance is in place.

Real Estate

The process of buying, holding, and selling real estate – from undeveloped land to fully developed properties – demands acres of knowledge. With a dedicated team of professionals who specialize in working with commercial and residential property developers, companies receive assurance that their tax structure and filing requirements are met, whether doing business in one state or as a multi-state entity.

Valuation

Our valuation team assists businesses to determine value based on the parameters of the specific situation. Whether you need to value your business for buy-sell agreements, mergers and acquisition, disposition, or litigation support in cases of divorce, our experts ensure your company structure and book value is accurate, mitigating shareholder disputes.

Not-for-Profit

Serving a long list of regional nonprofits since opening our doors in 1938, our team has become sought-after for their depth of understanding in the formation, operation and reporting timelines unique to nonprofit entities.

We've counseled and coached countless CEOs and board members and serve as fiscal agents to help institutions remain viable, position them for grant consideration and create the financial structure that ensures proper allocation and distribution of endowed funds and donor gifts.

Professional Memberships

The firm is a member of The International Accounting Group (TIAG), a global alliance of more than 115 independent accounting firms spanning 60 countries. As a result, clients receive our expertise on a worldwide scale to meet a range of local, national and global business needs.

Additionally, as members of the American Institute of Certified Public Accountants (AICPA), we have the most up-to-date resources available to ensure we are continually meeting audit, attest, compilation and review service standards.

As an investment to not only our employees, but also our clients, in mid-2015, the firm became a Platinum Member of The Ohio Society of Certified Public Accountants.

As one of only five firms selected in the state of Ohio and the only firm within the region, this significant investment enhances our team's overall performance, and provides leading-edge learning models resources that will better serve our clients while helping to grow their business.



www.zinnerco.com



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A Strong Team is the Backbone of a Successful Business



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Together with your client service team,
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Partners

Robin Baum, CPA
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