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To: League Contacts and League Treasurers
Association Contacts and Association Treasurers
Cc: Regional Management Team
Subject: **Basic Internal Accounting Controls**
From: Jon Butler

BASIC INTERNAL ACCOUNTING CONTROLS

Receipt of Cash

Control Objective: To ensure that all cash intended for the organization is received, promptly deposited, properly recorded, reconciled, and kept under adequate security.

Control Procedures:

- The cash receiving, processing, recording and bank reconciliation functions should be clearly segregated.
- Upon receipt, cash should be listed and checks should be restrictively endorsed immediately.
- Prenumbered receipts should be issued and the sequence of both the used and unused receipts should be monitored.
- The listing of cash receipts should be sent directly to the persons responsible for the general ledger and bank reconciliation functions.
- A duplicate listing of receipts should be used in preparing deposits and posting detailed receivable records.
- Cash/checks should be deposited in a bank account on a timely basis by a person independent of receiving and general ledger function.
- The initial listing of cash receipts should be compared with the bank deposit slips.
- The cash receipts should be posted to the general ledger by a person independent of the cash receiving function.
- Bank reconciliations should be prepared by a person independent of the cash receiving or recording functions.

Disbursement of Cash

Control Objective: To ensure that cash is disbursed only upon proper authorization of management, for valid business purposes, and that all disbursements are properly recorded.

Control Procedures:

- The authorization, processing, check signing, recording and bank reconciliation functions should be clearly segregated.
- Persons authorized to approve expenditures should be clearly identified and all Expenditures should be approved in advance by those authorized persons.
- Invoices or requests for expense reimbursements should be supported by appropriate receipts and/or approval indicating the receipt of goods or services.
- All disbursements should be made by prenumbered checks.
- A record of cash disbursements such as check stubs, check copies, etc., should be kept by the the person processing checks.
- Check-signing authority should be vested in persons at appropriately high levels in the organization. Checks for larger amounts should require a higher level of authority and dual signatures.
- Signed checks should be mailed promptly and under the control of the check signor.
- Check signors should review and initial documentation supporting the checks indicating completeness and appropriate approval.
- The cash disbursements journal should be posted by a person independent of the authorization, check processing and check signing functions.
- The cash disbursements journal should be posted to the general ledger by a person independent of the check processing, check signing, and authorization functions.
- Bank statements and cancelled checks should be received directly and reconciled with disbursement records by a person independent of the cash authorization, check processing and check signing functions.

Accounts Payable

Control Objective: To ensure that accounts payable are supported by appropriate documentation, are promptly paid and properly recorded.

Control Procedures:

- The authorization, processing, recording and payment functions should be clearly segregated.
- Persons authorized to approve expenditures should be clearly identified and all expenditures should be approved in advance by those authorized persons.
- All approved invoices should be promptly recorded in the accounts payable register to establish control for payment.
- All unpaid invoices should be maintained in a distinct unpaid open invoice file.
- Statements from vendors should be regularly compared with the open invoice file.
- Invoices from unfamiliar or unusual vendors should be reviewed and approved for payment by authorized personnel who are independent of the invoice processing function.
- Signed checks should be mailed promptly and under the control of the check signor.
- Payments should be recorded promptly in the accounts payable register to avoid double payment.
- The accounts payable register should be reconciled monthly with the general ledger by a person independent of the invoice processing function.
- A listing of unpaid invoices should be prepared monthly and reconciled with the general ledger by a person independent of the invoice processing function.