

ALG-CX-5.2: Control Activities Form for Cash

Governmental Unit: Mohawk Valley Water Authority
 Prepared by: Mario E. Bequer, Jr.

Financial Statement Date: March 31, 2008
 Date: May 27, 2008

Instructions: See separate instructions at [ALG-CX-5](#) .

| | Assertions | Control Type: | | Is the Control: | | Comments |
|--|--------------------|-----------------------------|-------------------------------|------------------------------------|------------|--|
| | | Dependent Upon IT? (Y or N) | Manual or Automated? (M or A) | Properly Designed and Implemented? | Effective? | |
| 1. Segregation of duties and restricted access—control activities tested through inquiry and observation | | | | | | |
| a. Cash receipts | | | | | | |
| i. The government uses a lockbox and other offsite collection centers (i.e. City of Utica collections). | E / O / A / CO /CL | Y | A | Y | Y | The vast majority of customer payments are sent to the M&T Lock Box. |
| ii. Mail is opened and a list of daily receipts is prepared by two or more people independent of the cashier and accounts receivable bookkeeping. | Not Appl | Not Appl | Not Appl | Not Appl | Not Appl | Cash is deposited by the “Lock-Box bank immediately upon receipt |
| iii. Cash receipts are deposited intact promptly or stored in a secure location. | Not Appl | Not Appl | Not Appl | Not Appl | Not Appl | No cash is received from the Lock-Box |
| iv. Handling of cash is independent of sources of noncash credits to accounts receivable and accounts receivable bookkeeping. | E/O | Y | A | Y | Y | Customer payments are made to lock-box. Payments are applied to customer accounts by the IT Department |
| v. Cash funds on hand are stored in a secure location and kept independent of mail receipts. | E/O | Y | M | Y | Y | Petty cash is maintained separately by Payroll Clerk |
| vi. Cash receipts (restricted assets) are deposited in separate bank accounts when required by funding sources. | A/CL | Y | Y | Y | Y | Restricted cash is kept at Bank of NY whereas operating cash is kept at M&T |
| vii. The government has a formal deposit policy that limits the government’s allowable deposits and addresses the specific types of risk to which the government is exposed. | Not Appl | Not Appl | Not Appl | Not Appl | Not Appl | |

| | Assertions | Control Type: | | Is the Control: | | Comments |
|---|----------------|-----------------------------|-------------------------------|------------------------------------|------------|--|
| | | Dependent Upon IT? (Y or N) | Manual or Automated? (M or A) | Properly Designed and Implemented? | Effective? | |
| Other control activities (specify). All cash received by the Lock-Box and City of Utica as well as miscellaneous mailed in checks are processed daily. All checks are "Restricted Endorsed" upon receipt [] | E/O/A/C/ CL | | | | | |
| b. Cash disbursements | | | | | | |
| i. Most disbursements are made by check. A few payments are wire transferred. Small payments are made out of petty cash. | E/O | N | M | Y | Y | |
| ii. A separate imprest payroll bank account is used. | O / C | N | A | Y | Y | ADP payroll system |
| iii. Bank accounts and check signers are authorized by the governing body or appropriate level of management. | E/O | N | M | Y | Y | Check signers are assigned Board member, Executive Director and Comptroller |
| iv. Check signing (including control of mechanical check signers and signature plates) is independent of the initiator of purchases, approver of purchases, receiving, shipping, preparer of checks, cash receipts, accounts payable, and cash bookkeeping. | E/O | N | A | Y | Y | The Accounting Supervisor prepares the checks, and the Comptroller reviews them and signs them. Purchases are initiated by department heads. Receiving is also separate from check signer. |
| v. Counter-signature is required for amounts over predetermined cutoff. | E/O | N | M | N | N | No counter signature is required for checks of any amount.) |
| vi. Checks are not returned to the preparer after signing. | [E/O] | N | M | Y | Y | The Comptroller reviews and signs the checks. The Accounting Supervisor mails them. |
| vii. Signing of checks in advance is prohibited. | E/O | N | M | Y | Y | |
| viii. Checks payable to cash or bearer are prohibited. | [E/O] | N | M | Y | Y | |
| ix. Blank check stock is kept in a secure location. | [E/O] | N | M | Y | Y | Blank checks are kept inside locked vault. |

| | Assertions | Control Type: | | Is the Control: | | Comments |
|---|---------------------|-----------------------------|-------------------------------|------------------------------------|------------|---|
| | | Dependent Upon IT? (Y or N) | Manual or Automated? (M or A) | Properly Designed and Implemented? | Effective? | |
| x. There are adequate controls over non-check cash disbursements such as debit memos and wire transfers (for example, passwords for individuals authorized to make transfers, and bank callback verifications for telephone transfers exceeding a predetermined dollar amount). | E/O | N | A | Y | Y | The Accounting Supervisor initiates wire transfers using "Actividentity" code. The transfer is reviewed and approved by Comptroller using code |
| xi. Procedures are adequate for approving and recording interbank transfers. | E/O, C, A/CL | N | A | Y | Y | The Accounting Supervisor initiates wire transfers using "Actividentity" code. The transfer is reviewed and approved by Comptroller using his own personal code |
| xii. Stale checks are followed up on periodically by individuals independent of accounts payable and cash disbursement functions. | [E/O], [C], [A/CL] | N | M | Y | Y | Performed by the Accounting Supervisor as part of monthly bank reconciliation |
| Other control activities (specify). The Internal Control Analyst reviews all invoices processed by the Accounts Payable Clerk. Reviews for reasonableness, compliance with terms of issued purchase order, receiving acknowledgment and accounting distribution | E / O / CO / A / CL | | | | | |
| [] | | | | | | |
| 2. "Over the counter" receipts—control activities tested through inquiry, observation, and document inspection (Lock-Box) | | | | | | |
| a. Pre-numbered receipts or cash registers are effectively used and controlled. | E/O, C | Not Appl | Not Appl | Not Appl | Not Appl | |
| b. A responsible person other than the cash register operator (cashier): | | | | | | |
| i. Maintains custody of the key to the cash register tape compartment. | Not Appl | Not Appl | Not Appl | Not Appl | Not Appl | |
| ii. Takes periodic readings of the register and compares the readings with the contents of the cash register. | Not Appl | Not Appl | Not Appl | Not Appl | Not Appl | |
| c. Daily cash register reconciliation forms are used, a copy of the daily closeout tape is attached to the form, and tape totals are compared to the reconciliation form and deposit slip by an appropriate person. | Not Appl | Not Appl | Not Appl | Not Appl | Not Appl | |

| | Assertions | Control Type: | | Is the Control: | | Comments |
|--|------------------|-----------------------------|-------------------------------|------------------------------------|------------|---|
| | | Dependent Upon IT? (Y or N) | Manual or Automated? (M or A) | Properly Designed and Implemented? | Effective? | |
| d. Separate cash register drawers are maintained for each cashier and each register is closed out at the end of each shift. | Not Appl | Not Appl | Not Appl | Not Appl | Not Appl | |
| e. Cashier funds are counted and reconciled at the end of each shift, and a supervisor reviews reconciliations and investigates unusual reconciling items. | Not Appl | Not Appl | Not Appl | Not Appl | Not Appl | |
| f. A cash "over" and "short" list is prepared for each cashier, and an appropriate person investigates both overages and shortages. | Not Appl | Not Appl | Not Appl | Not Appl | Not Appl | |
| Other control activities (specify). [] | | | | | | |
| 3. Control activities tested through inquiry and document inspection (Lock-Box) | | | | | | |
| a. Cash receipts | | | | | | |
| i. Restricted endorsements (for example, "For Deposit Only") are placed on check remittances upon receipt. | [E/O], [C] | N | M | Y | Y | Any checks received directly @ MVWA are restrictively endorsed by the Accounts Payable Clerk |
| ii. Individuals opening the mail prepare pre-numbered cash receipts and attach remittance data to the cash receipts prior to forwarding the documentation to accounting. | E / O, C, A / CL | N | M | Y | Y | A pre-numbered "Batch Control" is assigned by the I/T Dept every day when it processes the Lock-Box information received from the bank. |
| iii. The list of daily cash receipts or lockbox listing from the bank is compared to postings to customer accounts, contribution records, and deposits and to a validated deposit slip by a person independent of the cash receipts and accounts receivable functions. | [E/O], C, A/CL | Y | M | Y | Y | The Billing Clerk compares Lock-Box Deposits (report created by IT Dept) vs. The Daily Proof Listing. |
| iv. Adjustments of cash accounts are approved by the appropriate level of management or another appropriate person. | E/O, C, A/CL | N | A | Y | Y | Comptroller reviews periodically |
| v. Cash receipts are periodically reviewed by the appropriate level of management or another appropriate person. | E/O, C, A/CL | Y | M | Y | Y | Comptroller performs comparison at least monthly as he reviews cash-flow schedule prepared by the Accounting Supv. |

| | Assertions | Control Type: | | Is the Control: | | Comments |
|--|----------------|-----------------------------|-------------------------------|------------------------------------|------------|--|
| | | Dependent Upon IT? (Y or N) | Manual or Automated? (M or A) | Properly Designed and Implemented? | Effective? | |
| vi. The appropriate level of management or another appropriate person periodically compares actual cash receipts to budgeted cash receipts and disbursements and follows up on significant variances. | [E/O], C, A/CL | Y | M | Y | Y | Comptroller performs this step on a routine basis |
| Other control activities (specify). [] | | | | | | |
| b. Cash disbursements | | | | | | |
| i. Purchasing documents (purchase orders, receiving reports, etc.) are pre-numbered, the sequence is accounted for, and unissued forms are controlled. | E/O, C | Y | A | Y | Y | Purchase Orders are issued from MAS 200 system |
| ii. Checks are pre-numbered, the sequence regularly is accounted for, and unissued checks are controlled and kept in a secure location. | E/O, C | Y | A | Y | Y | Checks are pre-numbered, accounted for and kept inside locked vault. |
| iii. A mechanical check protector is used to inscribe checks so that alteration of amounts or payees might be more easily detected. | [E/O] | N | A | Y | Y | Checks are pre-numbered, accounted for and kept inside locked vault.. |
| iv. Voided checks and other documents are canceled and retained. | E/O, C | N | M | Y | Y | |
| v. Cash disbursements records are matched against accounts payable/open invoice files. | E/O | N | A | Y | Y | Positive Payment System with the bank will be implemented shortly. |
| vi. Disbursements that require special approval of funding sources or the governing body are properly documented. | E/O, C, A/CL | Y | M | Y | Y | Capital Projects |
| vii. Cash disbursements are periodically reviewed by the appropriate level of management or another appropriate person (such as a governing body member). | E/O, C, A/CL | Y | M | Y | Y | Comptroller reviews all disbursements and is the person who signs checks. Currently, in the process of incorporating "Positive Payment" system with bank |
| viii. The appropriate level of management or another appropriate person (such as a governing body member) periodically compares actual cash disbursements to budgeted cash receipts and disbursements and follows up on significant variances. | [E/O], C, A/CL | N | Y | Y | Y | Comptroller performs comparison at least monthly as he reviews cash-flow schedule prepared by the Accounting Supv. |

| | Assertions | Control Type: | | Is the Control: | | Comments |
|---|------------------|-----------------------------|-------------------------------|------------------------------------|------------|--|
| | | Dependent Upon IT? (Y or N) | Manual or Automated? (M or A) | Properly Designed and Implemented? | Effective? | |
| Other control activities (specify). [] | | | | | | |
| 4. Bank reconciliations—control activities tested through review of bank reconciliations | | | | | | |
| a. Bank accounts are reconciled regularly and reconciliations are reviewed by the appropriate level of management or another appropriate person (such as a governing body member). | E/O, C, A/CL, CO | N | M | Y | Y | Bank Reconciliations are performed by the Accounting Supervisor on a monthly basis. The reconciliations are reviewed by the Comptroller |
| b. All reconciling items are appropriate and supportable. | E/O, C, A/CL, CO | N | M | Y | Y | |
| c. Bank accounts are reconciled by individuals independent of cash receipts and disbursements functions. | E/O | N | M | Y | Y | Bank Reconciliations are performed by the Accounting Supervisor on a monthly basis |
| d. Bank statements are received directly by the appropriate level of management or another appropriate person (such as a governing body member) and reviewed prior to routing to accounting for reconciliation. | E/O, C | N | M | Y | Y | The statements go directly to Accounting Supv but the Comptroller reviews the bank reconciliations |
| Other control activities (specify). [] | | | | | | |
| 5. Cash receipts—control activities tested through review of documentation supporting a sample of cash receipts transactions | | | | | | |
| a. Cash receipts are deposited promptly and intact. | E/O, C, CO | Y | A | Y | Y | The few payments (checks or miscellaneous cash) received are processed immediately and either deposited or kept inside locked vault overnight. |
| b. The list of daily receipts or collections agrees with cash receipts entries. | E/O, C, A/CL | Y | A | Y | Y | The Cash Application reports generated by I/T form the basis for the journal entries prepared by the Accounting Supervisor |

| | Assertions | Control Type: | | Is the Control: | | Comments |
|---|------------------|-----------------------------|-------------------------------|------------------------------------|------------|---|
| | | Dependent Upon IT? (Y or N) | Manual or Automated? (M or A) | Properly Designed and Implemented? | Effective? | |
| c. Cash receipts are promptly and accurately recorded as to account, amount, and period. | E/O, C, A/CL, CO | Y | A | Y | Y | All receipts are deposited immediately through the "Lock-Box", are applied immediately by IT upon receipt of the Lock-Box information and are recorded by the Accounting Supervisor |
| Other control activities (specify). [] | | | | | | |
| 6. Cash disbursements—control activities tested through review of documentation supporting a sample of disbursements transactions | | | | | | |
| a. Checks are prepared only after proper matching of supporting documentation (vendor's invoice, receiving report, purchase order, etc.). | E/O, A/CL | N | A | Y | Y | Refer to flowchart AP-14 |
| b. Supporting documentation is canceled and marked with the check number when a check was prepared. | E/O | N | M | Y | Y | Invoices processed for payment are stamped, and are stapled to receiving document and paid check stub |
| c. Checks are signed by authorized signers and dual signatures are obtained when required. | E/O | N | M | Y | Y | Only 1 check signer is required |
| d. The clerical accuracy of documents supporting disbursements (vendors' invoice, etc.) is checked. | E/O, C, A/CL | Y | Y | Y | Y | Performed by the Accounts Payable Clerk and reviewed by the Internal Control Analyst |
| e. The check signer reviews all supporting documentation. | E/O, [A/CL] | N | Y | Y | Y | Comptroller reviews the documentation of processed invoices selected for payment |
| f. Checks are promptly and accurately recorded as to account, amount, and period. | E/O, C, A/CL, CO | N | A | Y | Y | Done by the Accounting supervisor through the MAS 200 accounting system |
| Other control activities (specify). [] | | | | | | |