

ALG-CX-5.6: Control Activities Form for Expenditures for Goods and Services and Accounts Payable

Governmental Unit: Mohawk Valley Water Authority
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Financial Statement Date: March 31, 2008
 Date: June 3, 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 reviews—control activities tested through inquiry and observation or document inspection						
a. Purchasing is separated from requisitioning, shipping, and receiving functions.	E/O	N	M	Y	Y	Comptroller & Purchasing Director does not initiate purchases or receive goods.
b. Requisitioning, purchasing, and receiving functions are segregated from invoice processing, accounts payable, cash receipts and disbursements, and general ledger functions.	E/O	N	M	Y	Y	The user departments requisition, place orders with vendors and receive goods and services but do not authorize purchases or pay invoices
c. Invoice processing and accounts payable are segregated from the general ledger function.	E/O	N	M	Y	Y	The Accounts Payable Clerk is not authorized to update the General Ledger
d. Individuals independent of purchasing and receiving functions follow up on unmatched open purchase orders, receiving reports, and invoices.	C	N	M	Y	Y	The Accounts Payable Clerk maintains files of open purchase orders, invoices, and receiving documents
e. There is a periodic review of purchase prices by someone outside the purchasing department.	E/O	N	M	Y	Y	The user / requisitioning departments administer the bid process

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f. Vendor statements are periodically reviewed by the appropriate level of management or other responsible person for overdue items.	C	N	M			Vendors' statements are always reviewed by the Comptroller and the Internal Control Analyst. The MVWA generally will not pay vendors off of statements. The MVWA requires supported invoices
g. There are defined cutoff procedures that are continually monitored by the appropriate level of management or another appropriate person.	CO	N	M	Y	Y	Performed by the Internal Control Analyst and the Comptroller
h. Employees with purchasing and accounts payable responsibilities are required to take vacations and other employees are required to perform those functions when an employee is absent.	E/O, C	N	M	Y	Y	All employees take vacations. Other employees perform the activities during absences.
i. A current purchasing manual defines restrictions on purchases of goods or services from governing body members, employees, or other suppliers that would create a conflict of interest.	[E/O], [C], [A/CL]	N	M	Y	Y	Procurement policy provides guidelines under competitive bidding
j. Purchases are reviewed for compliance with requirements of laws and regulations, the governing body and of funding sources, if applicable (for example, competitive bidding requirements).	[E/O], [C]	N	M	Y	Y	Comptroller and Executive Director perform this function
k. The government has procedures for coding expenditures in compliance with funding and organization accounting requirements.	A/CL	N	M	Y	Y	All purchases are checked against approved budget
l. Management periodically compares actual expenses to budgeted expenses and investigates unanticipated variances.	E/O, A/CL	N	M	Y	Y	Performed monthly via the Monthly Financial Report. Variances are analyzed by the Internal Control analyst and the Comptroller
m. Goods received are independently inspected for condition and independently counted, measured, or weighed.	A/CL	N	M	Y	Y	Done by the user/requisitioning department personnel
Other control activities (specify). []						

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2. Recording, reconciliations, and reviews—control activities tested through inquiry and document inspection						
a. Purchasing						
i. There is an approved vendors list.	[E/O]	N	A	Y	Y	Per MAS 200.
ii. Non-inventory expenditures are supported by approved invoices, purchase orders, and other supporting documentation as appropriate.	E/O, [A/CL]	N	M	Y	Y	
iii. The following documents (including unused forms) are pre-numbered with the sequence controlled and accounted for:						
1) Purchase orders.	[E/O], C	N	A	Y	Y	Done through MASD 200.
2) Receiving reports.	[E/O], C	N	M / A	Y	Y	Receiving is acknowledged on the pre-numbered purchase order. If no purchase order was issued, receiving is acknowledged on the packing slip
3) Debit/credit memos.	[E/O], C	Not Appl	Not Appl	Not Appl	Not Appl	Very limited use of debit / credit memos
4) Shipping orders for returned goods.	[E/O], C	Not Appl	Not Appl	Not Appl	Not Appl	Very limited number of debit / credit memos
iv. Purchase orders are reviewed to ensure the expenditure is within budget or other restrictions.	E/O, C	N	M	Y	Y	Performed by the Accounts Payable Clerk, and the Internal Control Analyst.
v. Account distributions are recorded by the operating department and reviewed by the accounting department.	[A/CL]	N	A	Y	Y	The Internal Control Analyst reviews the accounting distribution before updating the general ledger
vi. There is a proper cutoff of purchases at month-end.	E/O, C, A/CL, CO	N	M	Y	Y	Performed by the Accounts Payable Clerk and reviewed by the Internal Control Analyst and the Comptroller.

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vii. Shipping orders for returned goods are matched with vendors' credit memos.	C, A/CL	Not Appl	Not Appl	Not Appl	Not Appl	Very limited number of debit / credit memos
viii. The appropriate level of management or another appropriate person periodically compares actual expenditures to budgeted expenditures and follows up on significant variances.	E/O, A/CL	N	M	Y	Y	Performed by the Internal Control Analyst and the Comptroller at month end during the preparation of the Monthly Financial Report
Other control activities (specify). []						
b. Accounts payable						
i. Monthly vendor statements are reconciled to the accounts payable trial balance.	E/O, C, A/CL	N	M	Y	Y	Vendors' statements received are reviewed by the Comptroller and followed-up by the Internal Control Analyst
ii. The accounts payable trial balance is compared with individual open invoice totals.	[C]	N	A	Y	Y	The Accounting Supervisor Compares to the General Ledger at month end.
iii. The accounts payable trial balance is reconciled to the general ledger control account.	E/O, C, A/CL, CO	N	M	Y	Y	Performed by the Comptroller and the Accounting Supervisor
iv. The appropriate level of management or another appropriate person reviews reconciliations between the accounts payable trial balance and general ledger control accounts.	E/O, C, A/CL, CO	N	M	Y	Y	Performed by the Comptroller and the Accounting Supervisor
v. Accruals are periodically reviewed for reasonableness by the appropriate level of management or another appropriate person.	C, A/CL	N	A	Y	Y	Done by the Comptroller
vi. Receiving reports are promptly provided to personnel in accounts payable processing and recordkeeping.	C, A/CL	N	M	Y	Y	Department Heads have been notified that all invoices and receiving documents must be forwarded to Accounts Payable without delay.

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vii. Purchase and receiving documents are controlled so that liabilities are recorded for goods or services received but not yet invoiced.	C, A/CL, CO	N	M	Y	Y	Performed at year end. Significant expenditures incurred but not invoiced at year end are accrued for by the Comptroller
Other control activities (specify). []						
c. Encumbrances						
i. Open purchase orders are reconciled to the outstanding encumbrance listing at year end.	[C]	Not Appl	Not Appl	Not Appl	Not Appl	
ii. The outstanding encumbrance listing is reconciled to the reserve for encumbrance general ledger account.	C, A/CL	Not Appl	Not Appl	Not Appl	Not Appl	
iii. The appropriate level of management reviews reconciliations between the outstanding encumbrance listing and the general ledger control accounts.	C	Not Appl	Not Appl	Not Appl	Not Appl	
3. Purchasing—control activities tested by review of supporting documentation for a sample of purchase transactions						
a. Purchases are supported by properly authorized and approved requisitions and purchase orders.	E/O	N	M	Y	Y	Not all purchases are supported by purchase orders or contracts. Mitigating controls exist in that prices charged are being compared with previous prices, and budgeted amounts (ie. Item # 4 from Barrett Paving)
b. Invoices are compared to purchase orders and receiving reports and reviewed for correctness of:	E/O					
i. Quantities received.	E/O	N	M	Y	Y	Compared against purchase orders when purchase orders are issued
ii. Brand name and product ordered.	E/O	N	M	Y	Y	Compared against purchase orders when purchase orders are issued

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iii. Pricing.	E/O	N	M	Y	Y	Compared against purchase orders when purchase orders are issued
iv. Clerical accuracy.	E/O	N	M	Y	Y	Reviewed by the Internal control Analyst
c. Any non-inventory expenditures are supported by approved invoices and other supporting documentation, as appropriate.	E/O, [A/CL]	N	M	Y	Y	Reviewed by the Internal control Analyst
d. The mathematical accuracy of invoice is checked.	A/CL	N	M	Y	Y	Reviewed by the Internal control Analyst
e. Purchases are recorded properly as to account, amount, and period.	E/O, C, A/CL, CO	N	M	Y	Y	Reviewed by the Internal control Analyst
Other control activities (specify). []						