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Applies To: Colleges and the System Office
Procedure Responsibility: System Office of Business Services

Internal Controls

Sections:

1.7.1 - General
1.7.2 - Process Design
1.7.3 - Separation of Duties
1.7.4 - Identification of Key Financial Process

Section 1.7.1 - General

Each college and system office function must ensure that adequate internal controls exist in key financial processes. For purposes of this procedure, internal controls mostly concerned with control over assets, cash receipts, and cash disbursements. Examples of key financial processes are cash collection, procurement card use, payroll, etc. Internal controls help ensure that consistency and accountability is maintained for all transactions. Internal controls are developed and implemented to prevent and detect errors and to avoid and reduce the likelihood of fraud or theft. The two methods most widely used are process design and separation of duties. Each operating unit must be able to demonstrate that adequate internal controls have been established and are being used.

Section 1.7.2 - Process Design

Business processes at each operating unit must be designed to ensure that adequate internal controls exist. Each operating unit should develop forms and local procedures to ensure that internal control requirements are met. Examples of adequate process design are:

A. A receipt is provided to the payee for transactions that involve cash, checks, etc.

B. If an operating unit has more than one office that invoices customers, all invoice payments should be received and posted by the business office unless the college can clearly demonstrate that adequate controls exist.

C. Management approval should be documented for any expenditure of funds.

D. Offices that accept cash should use cash registers or a cash receipt log or register to record the transaction.

Section 1.7.3 - Separation of Duties

The basic internal control is separation of duties. Each operating unit must ensure and be able to demonstrate that employee assignments have been developed to ensure that this requirement is met. Examples of separation of duties are:

A. The employee preparing an invoice does not receive the payment.

B. The employee accepting cash does not prepare the deposit.

C. The employee with payroll responsibility does not have the ability to perform personnel (HR) activities.

Section 1.7.4 – Identification of Key Financial Processes

The KCTCS Office of Audit Services should be contacted for assistance in identification of key financial processes within the operating unit.

END OF PROCEDURE