

Monitoring Checklist

Here is a list of possible monitoring activities from sources such as the Institute of Internal Auditors, the AICPA, the Association of Certified Fraud Examiners, and from own experience.

Your board, finance or audit committee should consider these and other procedures to make sure that your internal controls, policies and procedures are appropriate and are working.

- ✓ Have supervisors review controls such as reconciliations of bank accounts or subsidiary ledgers.
- ✓ Schedule a periodic internal audit with a separate CPA firm or with your own staff if they have the expertise.
- ✓ Review your written policies, and determine whether they are appropriate, have been properly communicated, and are being followed.
- ✓ Verify that hiring procedures are proper. Determine whether background checks are used. A study of several million background checks confirms that nearly half of revealed information was inconsistent with what an applicant reported, and that in many cases, judgments, liens or bankruptcies were uncovered.
- ✓ Determine whether there are high-risk employees - typically those with unresolved financial problems, gambling, or substance abuse. These employees are secretive about their work, work long hours and don't take vacations.
- ✓ Verify whether insurance coverage is reviewed periodically including the adequacy and amounts of coverage such as liability, fire and theft, compensation and disability, professional liability, director and officer liability, business interruption, and fidelity bonding.
- ✓ Review some invoices to determine whether they are properly marked to document approval, nonpayment of sales tax and to confirm payment.
- ✓ Be sure that check stock and undeposited receipts are in a secure, locked area.
- ✓ Review petty cash reimbursements to see that they include proper documentation.
- ✓ Review aged accounts payable and verify that totals agree with your general ledger.
- ✓ Review the accounts receivable aging, verify that totals agree to the general ledger and review the procedures for collection follow-up. Inquire about older items.
- ✓ Review charge card documentation to verify that sufficient documentation is provided before payment is made.

- ✓ Review expense reimbursements, especially for management-level individuals to verify that amounts are proper and documented.
- ✓ Review reports from funders or regulators.
- ✓ Review the budget preparation process and determine whether budgets are updated for significant changes.
- ✓ Determine how the organization initially records donor restrictions, and subsequently documents compliance with those restrictions. Look at communications to donors acknowledging contributions.
- ✓ Review the accuracy and integrity of your fund raising communications.
- ✓ Determine whether all contractual agreements are in writing and are readily accessible.
- ✓ Determine how the organization goes about obtaining competitive bids for purchasing.
- ✓ Verify that investment activity is consistent with the organization's policy for investing funds.
- ✓ Ask staff about the sufficiency of training, mentoring and tools they receive to perform their responsibilities.
- ✓ The great majority of frauds are uncovered by employees. Interview to be sure that employees know that they are encouraged to communicate any wrongdoing, and that they are familiar with the process for doing so.
- ✓ Select one or more funding contracts; determine who is responsible for compliance with the terms of that contract. Interview to determine that they understand requirements for performance, documentation, and billings, and how they document their procedures.
- ✓ Determine how the organization trains staff in general and specific contract compliance requirements.
- ✓ Verify that billings are being done in a timely way, and that statistical and performance information is properly reported and documented.
- ✓ Look at documentation for payroll hours and work performed. Verify that there is an independent review of payroll (more than 50% of your costs are likely payroll related).
- ✓ Review the security of your information technology including passwords, backups, antivirus, physical security, firewalls, software license documentation and policies about computer and Internet use.
- ✓ Consider new technology provided by the banking industry including cash controls such as positive pay.