

Internal Control Handbook

School Business Services

April 2026

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Introduction

1. Purpose of Internal Controls

Internal controls are an essential component of every accounting system within a Local Education Agency (LEA). These controls function as a coordinated network of checks and balances designed to prevent and detect errors, irregularities, and misstatements in financial operations. An effective internal control system ensures that transactions are executed only with proper authorization, assets are protected from loss or misuse, and financial records remain accurate and reliable.

The primary purpose of this manual is to provide LEA staff with a practical overview of the internal accounting and administrative controls necessary to maintain sound financial operations. The manual highlights the major functional areas in which internal controls are most critical, with particular emphasis on how to achieve adequate segregation of duties, even in offices where staffing is limited. This handbook is intended to be a guide as school districts maintain local control over internal control practices for their own business offices.

Each LEA, as a separate accounting entity, bears responsibility for designing, implementing, and maintaining effective internal controls. While district leadership is responsible for establishing the control structure, all central office staff play a key role in ensuring that controls operate effectively daily. A well-designed system that is not consistently followed provides no more protection than having no system at all.

2. Legal Compliance and ISBE Requirements

Internal controls within Illinois school districts must support compliance with:

- Illinois School Code requirements
- Board of Education policies
- Grant program regulations
- ISBE financial reporting requirements
- Generally accepted accounting principles (GAAP)

LEAs must maintain both administrative controls and accounting controls:

Administrative Controls

Administrative controls refer to decision-making processes that authorize transactions. These controls are typically conducted by upper-level management — Board of Education, Superintendent, Fiscal Officer — and ensure that no transaction proceeds without proper approval.

Example: The Board's approval of claims prior to payment serves as an administrative control authorizing the cash disbursement.

Accounting Controls

Accounting controls ensure the safeguarding of assets and reliability of financial statements. These controls ensure that:

- Transactions occur only with management authorization
- Access to assets is restricted
- Transactions are accurately recorded
- Financial reporting is complete and reliable

These controls support statutory compliance and allow the LEA to meet annual audit and reporting requirements.

3. Guiding Principles of Internal Control

A well-designed internal control system requires proper segregation of duties to prevent any single individual from controlling multiple stages of a financial transaction. Ideally, the following functions should be assigned to different staff members:

1. **Authorization** – Approving or initiating a transaction
2. **Recordkeeping** – Entering or posting the transaction into the accounting software
3. **Custody** – Having physical or electronic control over the related asset

Segregation of duties provides reasonable assurance that errors or irregularities will be identified and corrected in a timely manner. For example:

- **Poor segregation:** One employee receives cash, prepares the deposit, signs the deposit slip, records the transaction, and deposits the funds.
- **Proper segregation:** One employee receives and deposits funds; a second employee records the transaction; a third individual reviews and authorizes the deposit documentation.

Because not all LEAs have the staffing capacity to fully segregate duties, this manual provides practical, scalable segregation models for business offices with:

- **2 staff members**
- **3 staff members**
- **4 or more staff members**

Within each staffing model, the following functional areas are addressed:

- Cash receipts
- Cash disbursements
- Payroll
- Purchasing
- Investments
- Activity/Imprest (revolving)/petty cash
- Interfund transfers
- Credit cards
- Amazon accounts

These models serve as guidelines to help LEAs distribute responsibilities across available personnel in ways that maintain strong internal controls. They provide a solid foundation for developing clear, auditable roles and procedures tailored to each district's needs.

Section 1 — Core Financial Processes

Cash Receipts

1. Purpose

The purpose of this policy is to establish consistent, effective internal controls over all cash receipts for the district. These controls safeguard funds, ensure accurate financial reporting, and maintain compliance with state and federal requirements applicable to Illinois school districts.

2. General Requirements

The district shall ensure that all cash receipts are processed in a secure, timely, and transparent manner. Controls should be designed to minimize the risk of fraud, misappropriation, or error.

3. Cash Handling Procedures

3.1 Mail Handling

- Incoming mail should be opened by a staff member who does not have access to the accounting software when staffing permits.
 - Any cash or checks received through the mail should be immediately stamped with the date received.
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3.2 Securing Funds

- All cash and checks should be stored in a locked safe or secure cash drawer until deposited.
 - All checks should be endorsed "For Deposit Only" immediately upon receipt.
 - All individuals handling district funds should be properly bonded.
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3.3 Authorization

- Cash receipt documentation and bank deposit slips should be approved by another staff member prior to being entered into the accounting system.
 - Returned Non-Sufficient Funds (NSF) checks should be documented, tracked, and resolved in accordance with district board policy.
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4. Segregation of Duties

To reduce the risk of error or fraud, duties should be segregated to the greatest extent possible:

- Individuals who receive or handle cash should not have access to the accounting records.
 - No single employee may receive, record, and deposit funds.
 - When staffing limitations exist, a secondary review of all deposits is required, including signature verification prior to bank delivery.
 - Employees should not write personal checks to be cashed by the district for personal use.
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5. Deposit Procedures

- Deposits shall be prepared promptly and verified by a second staff member prior to submission.
 - All cash receipts should be deposited within 48 hours of receipt, except on weekends or holidays.
 - Bank accounts should be monitored daily for direct deposits and fraudulent activity that may come through the account.
 - Deposit documentation should be retained and matched to bank confirmations and accounting entries.
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6. Revenue Types and Required Controls

6.1 Local Revenue (e.g., Property Taxes)

- Receipts should be reconciled to the tax computation report, County Clerk records, and County Treasurer distribution logs.
- Funds should be coded to the correct local revenue function categories as outlined in Part 100.

6.2 State and Federal Revenues (EBF, Title, IDEA, etc.)

- Deposits should be verified using FRIS and the Illinois Comptroller website.
- Supporting documentation, including payment schedules and grant award information, should be retained.
- All receipts should be coded according to the appropriate FRIS function codes as outlined in Part 100.

6.3 Student Fees and Other Local Revenues

- All fees and miscellaneous revenues should be supported by documentation (fee logs, receipts, or activity records).
 - Revenue should be accurately coded as outlined in Part 100; any item listed as "Other Revenue" should include a clear description for Budget and Annual Financial Report (AFR) itemization reporting.
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7. Reconciliation and Reporting

- The Business Office shall maintain a monthly reconciliation comparing bank deposits to accounting system entries.
- Monthly revenue reports shall be prepared and distributed to district administration and the Board of Education for review and monitoring.
- Budget-to-actual revenue reports should be reviewed at least monthly to identify missing, misclassified, or unusual activity.

8. Record Retention

- All documentation related to cash receipts, including logs, deposit slips, reconciliations, and supporting records, shall be retained in accordance with state record retention laws and auditor requirements.
- Records may be maintained electronically or in physical form, provided they are secure and accessible for audit.

9. Procedures Manual

- The district shall maintain a written Procedures Manual outlining step-by-step instructions for processing receipts.
- Procedures should be updated as needed due to regulatory changes, staffing changes, or operational improvements.
- Employees responsible for handling or recording funds shall receive appropriate training on these procedures.

Cash Disbursements

1. Purpose

The purpose of this policy is to establish strong, consistent internal controls over all district cash disbursements. These controls protect district assets, ensure accuracy and transparency in financial reporting, and support compliance with state and federal requirements applicable to Illinois school districts.

2. General Requirements

The district should ensure that all disbursements are properly authorized, supported by adequate documentation, accurately recorded, and issued only for legitimate district purposes. Internal controls should be structured to reduce opportunities for error, misappropriation, or fraud.

3. Cash Handling Procedures

3.1 Check Controls

- All checks should be pre-numbered to maintain a complete audit trail.
- Only individuals authorized by the Board and bank are permitted to sign district checks.
- Blank checks may not be pre-signed under any circumstances.
- All voided, spoiled, or mutilated checks should be retained and accounted for, including documentation explaining why they were voided.

3.2 Supporting Documentation

- Each disbursement should be supported by complete documentation, which may include invoices, purchase orders, contracts, receiving reports, and vouchers.
- A "PAID" stamp or electronic equivalent is suggested for documents after payment to prevent duplicate payments.
- The Business Office should maintain a detailed listing of checks issued for each disbursement run.

3.3 Verification

- Utilizing Positive Pay through the district's online banking system is a sound procedure. (For more information about this, reach out to your bank or credit institution for options.)
 - Monthly (at minimum) reviews should be conducted comparing the check register to the general ledger disbursement listing.
 - Interfund transfers should be approved by the Board of Education with a resolution, documented and recorded according to district procedures.
 - Checks may not be made payable to "cash," except when replenishing petty cash or issuing authorized startup funds.
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4. Purchase Order Requirements

The district should ensure that all purchases are pre-authorized, compliant with district policy and state law, supported by required documentation, and processed in a transparent manner that minimizes the risk of error or fraud.

4.1 Purchase Orders (POs)

- A purchase order (paper or electronic) should be issued and approved prior to any order being placed (or over a specific amount per district policy) for goods or services.
 - This requirement applies to all funds, including district operating funds and grants.
 - Verbal or after-the-fact purchase commitments (also referred to as “confirming POs”) are prohibited unless approved by the Superintendent or designee.
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4.2 Approval Hierarchy

- All POs should be approved by designated personnel, consistent with Board policy and district spending limits.
 - Approvers should verify budget availability before authorizing any purchase.
 - Approval levels typically include:
 - Program Director or Building Administrator
 - Business Manager or Budget Officer
 - Superintendent (as required by Board policy or dollar threshold)
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4.3 Competitive Bidding Requirements

- Purchases that meet or exceed the statutory bidding threshold established in 105 ILCS 5/10-20.21 should follow competitive bidding procedures.
 - Districts may set lower internal thresholds for obtaining quotes or competitive pricing.
 - Bidding documentation and vendor selection records should be retained.
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5. Segregation of Duties

To reduce risk of fraud or improper purchasing activity, no single employee should control multiple stages of a transaction:

- The staff member initiating the purchase should not be the person approving the purchase.
- Individuals responsible for receiving goods or services should not be the same persons who approve POs or authorize payments.
- The employee processing payments should not control the purchase initiation or approval process.

- No employee should independently enter disbursements, prepare checks, sign checks, and reconcile bank statements.
- Individuals who sign checks should not have access to cash receipt records or accounting system data entry.
- Bank statements should be mailed or electronically delivered directly to the individual responsible for reconciliation (commonly the Treasurer or Business Manager).

Segregation ensures that authorization, receipt, and payment each involve separate oversight.

6. Receipt and Verification Procedures

- All goods or services should be verified prior to payment.
 - Documentation should confirm:
 - The items were received
 - Quantities match the PO
 - Items meet required specifications
 - Services were completed satisfactorily
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7. Reconciliation & Reporting

- Monthly (at minimum) reconciliations should compare general ledger disbursement entries to bank activity.
 - Reconciliations should include a full accounting of all check numbers, including outstanding and voided checks.
 - Long-outstanding checks should be reviewed each month. Staff or vendors should be contacted to determine whether checks should be reissued or voided based on district policy.
 - Monthly expenditure reports should be prepared and provided to administration and the Board of Education.
 - Budget-to-actual reports should be reviewed regularly to identify errors, missing entries, or unusual activity.
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8. Record Retention

- All documentation related to cash disbursements — including invoices, vouchers, purchase orders, check registers, and bank reconciliations — should be retained according to Illinois record retention requirements and auditor expectations.
 - Records may be maintained electronically or physically if they are secure, organized, and accessible.
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9. Procedures Manual

- Detailed Cash Disbursements Procedures and Purchase Order Procedures should be developed and maintained.
- The manual should include clear step-by-step instructions for processing invoices, preparing checks,

verifying documentation, creating, submitting, approving, processing, and documenting POs, and handling exceptions.

- Procedures should be updated promptly when regulations, software systems, or staffing change.
- Employees involved in disbursement processing should be trained to ensure compliance and consistency.

Payroll

1. Purpose

The purpose of this policy is to establish strong internal controls over the payroll process to ensure that all employee compensation is accurate, authorized, properly documented, and compliant with state and federal regulations. Payroll represents a significant portion of the district's budget; therefore, appropriate safeguards are necessary to protect district resources and maintain public trust.

2. General Requirements

The payroll function should ensure that compensation is issued only to eligible employees, accurately calculated, properly supported, and correctly recorded. The entire payroll cycle should include strong segregation of duties and verification procedures.

3. Payroll Authorization and Personnel Records

3.1 Authorization to Employ

- No individual may be added to payroll without formal authorization through Board approval and an authorized hiring process.
- All employment actions should be supported by documentation such as offer letters, contracts, and Board minutes.

3.2 Maintenance of Personnel Records

- The district should maintain accurate and up-to-date personnel files, including:
 - Employment contracts
 - Position assignments
 - Pay rates
 - Benefit elections
 - Required certifications
- Personnel files should be updated promptly to reflect changes in employment status, pay rates, benefits, or deductions.

3.3 Tax and Regulatory Records

- Employee federal and state tax withholding forms should be collected, maintained, and updated in accordance with IRS and Illinois Department of Revenue requirements.
 - Payroll procedures should comply with all applicable state and federal statutes, including labor laws and reporting requirements.
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4. Timekeeping and Payroll Processing

4.1 Time and Attendance

- Hourly employees should use an electronic time clock system or approved time sheets.
- Supervisors should review and sign all-time records before submission to payroll if using paper time sheets and review and sign electronically if using electronic timecards.
- Any correction to time entries should be documented and approved.

4.2 Payroll Preparation

- Payroll calculations should be reviewed by an employee independent of the preparer to ensure accuracy.
- Pay rates used in the system should match Board-approved salary schedules or individual employee contracts.
- Employees must sign and acknowledge all initial payroll documents and any subsequent changes to their contract or pay schedule to confirm agreement with the amounts paid and with all benefit and payroll deductions.

4.3 Payroll Reconciliation

- A designated staff member other than the payroll clerk (if staffing allows) should be responsible for payroll reconciliation within the accounting software, ensuring that payroll registers match the general ledger.
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5. Segregation of Duties

To promote integrity and accuracy in payroll processing:

- The employee who prepares payroll should not also be the person who authorizes employment, approves time, or reconciles payroll.
 - Personnel responsible for issuing payroll payments should not have the ability to modify payroll data or employee records.
 - The distribution of payroll checks (if any paper checks remain) should be handled by staff independent of the bookkeeping and payroll entry functions.
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6. Payroll Payments and Distribution

6.1 Check Controls

- Payroll checks (if used) should:
 - Have a distinct numbering system
 - Be a distinct color or style from accounts payable checks to prevent confusion
- Payroll should be issued primarily through direct deposit, in accordance with district policy, as it is the most efficient and secure method of payment.

6.2 Unclaimed Wages

- Procedures should be in place for monitoring and managing unclaimed or returned payments, including timely follow-up with employees and adherence to unclaimed property laws.

6.3 Payroll Deductions and Remittances

- The payroll clerk is responsible for timely and accurate distribution of payroll-related payments to external entities, including:
 - Federal and state tax agencies
 - Insurance providers
 - Retirement systems (TRS, IMRF)
 - Court-ordered garnishments
 - Voluntary deductions (annuities, charities, etc.)
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7. Wage Rates and Contracts

- All employee wage rates, and administration stipends should be approved by the Board of Education through salary schedules, negotiated agreements, or individual contracts.
 - Contracts for all certified staff should be maintained on file and accessible for audit.
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8. Record Retention

- Payroll records — including time sheets, payroll registers, tax documents, personnel files, and reconciliation reports — should be retained in accordance with state record retention laws and audit requirements.
 - Records may be stored electronically or physically if secured and accessible.
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9. Procedures Manual

- The district should maintain Payroll Procedures detailing step-by-step instructions for processing payroll, handling exceptions, verifying time, and making deductions.
- The manual should be updated regularly to reflect staffing changes, software updates, regulatory requirements, or improvements in internal control.
- Employees involved in payroll activities should receive training on both the policy and detailed procedures.

Section 2 — Procurement & Purchasing Controls

Purchasing

1. Purpose

The purpose of this policy is to establish strong internal controls over the district's purchasing system to ensure that all procurement activities are properly authorized, documented, and compliant with state purchasing laws. A well-designed purchasing system safeguards district assets, supports accountability, and ensures prudent use of public funds.

2. General Requirements

The district should maintain a centralized purchasing system in which a designated purchasing agent or central office department manages the procurement of goods and services.

The system should ensure that:

- All purchases are pre-authorized
 - Purchasing activities follow state and federal procurement requirements
 - Proper documentation accompanies each transaction
 - Responsibilities are clearly segregated across authorization, custody, and bookkeeping functions.
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3A. Required Purchasing Forms and Documentation (Paper POs)

The district should utilize standardized multi-part purchasing forms to ensure proper internal controls, documentation, and audit trails. These forms help track authorization, ordering, receiving, and recordkeeping functions.

3.1A Two-Part Purchase Requisition

Used to initiate purchase requests.

- **Original** – Sent to central office (purchasing agent or bookkeeping department)
- **Copy** – Retained by the employee making the request

The requisition serves as hard-copy evidence of an authorized need for materials. Approval is required by the supervisor or department head *prior to submission*.

3.2A Three-Part Purchase Order (PO)

Issued after requisition review and verification of available budget, encumbrances, and compliance with purchasing laws.

- **Original** – Sent to the vendor
- **Copy 1** – Retained in central office vendor file
- **Copy 2** – Filed numerically in the purchase order file

The three-part PO provides physical evidence that an official order was placed.

3.3A Two-Part Receiving Report

Used to document physical receipt of goods.

- **Original** – Forwarded to central office
- **Copy** – Retained by receiving department

The receiving report includes item descriptions, quantities, date received, and receiving staff signature. Shipping papers should be attached.

3B. Required Electronic Purchasing Documentation

The district should utilize standardized electronic requisitions, purchase orders, and receiving documentation within its financial system to ensure consistent internal controls. Electronic documentation should provide a permanent audit trail equivalent to the multi-part paper forms historically used.

3.1B Electronic Purchase Requisition (E-Requisition)

The electronic requisition replaces the traditional Two-Part Purchase Requisition.

Purpose:

Initiates the purchasing request and serves as digital evidence of need.

Standards:

- Staff enter requisitions into the E-PO system.
- Supervisors or department heads should digitally approve the requisition before it routes to the central office.
- The system should retain:
 - Requestor identity
 - Approval timestamp
 - Notes or attachments (quotes, justification, etc.)

An electronic requisition should be approved *prior* to the initiation of any order.

3.2B Electronic Purchase Order (E-PO)

The electronic purchase order replaces the Three-Part Purchase Order and incorporates the same core controls.

Purpose:

Documents official authorization to place an order after verifying budget availability, encumbrances, and compliance with state procurement laws.

Standards:

- The central office or designated purchasing agent reviews the requisition.
- The E-PO system should automatically:
 - Check budget availability
 - Record encumbrances
 - Assign a sequential PO number
 - Time-stamp approvals
- The purchase order system should not automatically apply approval. Approval must be completed by the appropriate supervisor and routed through the established chain of command.
- Once approved, the system sends the PO electronically to the vendor (email, vendor portal, etc.).
- Digital copies of the PO are retained within the system in vendor, transaction, and PO history files.

The E-PO functions as official documentation of an authorized order.

4. Purchasing Workflow and Responsibilities

4.1 Authorization

- Purchase requisitions should be approved by the next supervisory level before submission.
- The purchasing agent verifies budget availability, compliance with procurement laws, and required competitive bid thresholds before issuing a PO.

4.2 Bookkeeping

- The central office maintains the original requisition, copy of the PO, and the original receiving report.
- These documents support the invoice and serve as evidence of:
 1. Authorized request for materials (requisition)
 2. Authorized purchase (purchase order)
 3. Actual receipt of goods (receiving report)

4.3 Custody (Receiving)

- Receiving staff should inspect goods, verify quantities, sign receiving documents, and attach shipping papers.

- Copies of fully received POs are returned to the purchasing department only when orders are complete.
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5. Control Principles in the Purchasing System – ABCs of Control

The district's purchasing procedures should be structured around three foundational internal control responsibilities:

5.1 Authorization (A)

- Approval should occur *before* orders are placed.
- Supervisors and purchasing officials ensure purchases meet budget, policy, and statutory requirements.

5.2 Bookkeeping (B)

- Central office staff maintain complete records and ensure documentation alignment
(requisition → PO → receiving report)
- The purchasing system should maintain numerical control of POs and receiving reports.

5.3 Custody (C)

- Physical receipt of goods should be independent from ordering and payment authorization.
 - Receiving staff confirm the condition, quantity, and accuracy of delivered items.
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6. Three-Way Match Requirement

Before paying any invoice, the central office should confirm:

1. **Purchase Requisition** – Authorization for the need.
2. **Purchase Order** – Authorization to procure and vendor confirmation.
3. **Receiving Report** – Verification that goods were received in good order.

Payment should not be processed until all three documents agree.

7. Record Retention

All purchasing documents — including requisitions, purchase orders, receiving reports, and vendor files — should be retained according to Illinois record retention laws and auditor requirements. Documents may be kept electronically or physically if secure and organized.

Credit Card Purchasing and Reconciliation

1. Purpose

The purpose of this policy is to establish clear internal controls over the issuance, use, monitoring, and reconciliation of district credit cards to ensure that all card purchases are authorized, documented, reasonable, and compliant with Illinois school purchasing laws and Board policy. These controls protect district assets and minimize risks of misuse, fraud, or unapproved expenditures.

2. General Requirements

The district should ensure that all credit card transactions:

- Are made solely for official district business
- Are preauthorized where required
- Include full, itemized receipts and supporting documentation
- Are reviewed and reconciled monthly
- Are monitored by personnel independent of the cardholder

Cardholder misuse may result in disciplinary action, cancellation of card privileges, and reimbursement to the district.

3. Credit Card Issuance and Custody

3.1 Authorization to Issue Cards

- Credit cards may only be issued with the approval of the Superintendent or designee.
- Cards should be linked to the district's credit card or P-Card program and subject to Board policy (**4:55 Use of Credit and Procurement Cards**).

3.2 Cardholder Responsibilities

- Cardholders are responsible for safeguarding the physical card, receipts, and card account numbers.
- District credit cards may be used only by the assigned cardholder; sharing cards is prohibited. If a card is designated as a "district card," only the individual who signs the card out may use it, and the card must be returned promptly after use for reassignment.
- Lost or stolen cards should be reported immediately to the Business Office and card provider.

3.3 Spending Limits

- Each card should have a pre-established spending limit based on employee role and need.
 - District credit cards may not be used to bypass competitive purchasing, PO requirements, or spending thresholds found in Board policy. (**4:60 Purchases and Contracts**).
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4. Allowable and Prohibited Purchases

4.1 Allowable Purchases

- Travel expenses authorized in advance (e.g., hotel, conference fees)
- Emergency purchases when standard purchasing processes are not practical
- Subscriptions or online purchases requiring a credit card
- Small incidental purchases approved by the supervisor

4.2 Prohibited Purchases

- Personal or non-district items
- Cash advances
- Alcohol, tobacco, or unallowable food purchases
- Fuel for personal vehicles
- Gift cards or prepaid cards without written pre-approval
- Split transactions to bypass purchasing limits

Any prohibited transaction should be reimbursed immediately by the employee.

5. Documentation Requirements

5.1 Receipts and Proof of Purchase

For every transaction, the cardholder should submit:

- Itemized receipts (not summary totals)
- Packing slips or order confirmations for online purchases

If necessary or applicable the following may also be submitted:

- Proof of business purpose
- Pre-approval documentation where required
- Conference or travel itineraries (if applicable)

5.2 Monthly Transaction Log

Individual cardholders issued a district credit card in their name are responsible for maintaining all receipts, documentation, and transaction records throughout the month. At month-end, cardholders must submit all required documentation to the Business Office. Cardholders shall reconcile their transaction log and supporting documentation to the credit card statement provided by the Business Office and verify the accuracy and completeness of all charges.

The transaction log should include, at minimum, the following information:

- Date of purchase
- Vendor
- Description of goods or services
- Associated program, fund, or account code

- Total amount of the transaction
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6. Monthly Reconciliation Procedures

6.1 Cardholder Responsibilities

By the established monthly deadline, cardholders should:

1. Match each transaction to an itemized receipt
2. Complete the monthly reconciliation report
3. Attach all receipts and documentation
4. Certify the accuracy of all charges
5. Submit the completed packet to their supervisor or Business Office designee

6.2 Supervisor Review

Supervisors should:

- Review each purchase for reasonableness and allowability
- Verify the business purpose
- Ensure appropriate account coding
- Approve or question any unusual transactions

6.3 Business Office Review

Business Office staff should:

- Reconcile card statements to receipts, logs, and supporting documents
- Enter charges into the accounting system
- Investigate discrepancies
- Follow up on missing receipts, unauthorized purchases, or late submissions

Segregation of duties should be maintained — cardholders may not reconcile their own statements in the accounting system.

7. Segregation of Duties

To protect the integrity of the district's credit card program:

- **Cardholders** may not approve their own purchases
 - **Supervisors** may not reconcile the accounting entries
 - **Business Office staff** entering transactions should not be cardholders
 - **Bank statement reconciliation** should be completed by an employee independent of both cardholders and purchase approvers
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8. Compliance and Monitoring

- The Business Office should periodically conduct audits of card activity.
 - The Board of Education should receive monthly reports of credit card expenditures.
 - Any suspected misuse will be investigated in accordance with Board policy and may result in disciplinary action.
 - Repeated violations may result in revocation of card privileges.
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9. Record Retention

All documentation related to card transactions should be retained in accordance with Illinois record retention laws, including:

- Receipts
- Monthly reconciliations
- Approvals
- Card agreements
- Internal audit findings

Electronic storage is acceptable if secure, organized, and backed up.

District Online Amazon & Other Online Vendor Accounts Purchasing

1. Purpose

The purpose of this policy is to establish clear internal controls and standardized procedures for the use of District-authorized online Amazon accounts. These controls ensure that purchases made through Amazon support legitimate district purposes, comply with Board policies and procurement laws, and are properly authorized, documented, and reconciled.

2. General Requirements

All Amazon purchases should:

- Be for official district business only
- Follow the District's purchasing and approval procedures
- Be pre-approved when required
- Include complete supporting documentation

The use of personal Amazon accounts for district purchases is prohibited.

3. Account Access and Security

3.1 Authorized Users

- Only employees specifically granted access by the Business Office may use the District's Amazon account.
- Shared logins are prohibited; each user should have an individual authorized Amazon account profile.

3.2 Removal of Access

- When employees change roles or leave the District, Amazon access should be removed immediately by the Business Office.
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4. Purchasing Procedures

4.1 Pre-Authorization Requirements

- All Amazon purchases require prior approval consistent with the district's purchasing procedures, such as:
 - Electronic purchase requisition (E-Requisition)
 - Purchase order (PO) approval
 - Supervisor authorization for small or travel-related purchases
- Amazon should not be used to bypass the PO process.

4.2 Allowable Purchases

Examples include:

- Classroom supplies
- Technology accessories and replacement parts
- Professional materials
- Maintenance/operations supplies

4.3 Prohibited Purchases

- Personal items
 - Gift cards or digital credits (unless specifically approved by the Superintendent)
 - Food or beverage purchases for routine cafeteria operations are not permitted unless specifically approved in advance, allowed under district policy, necessitated by an emergency, or related to the purchase of bulk snacks for approved student programs.
-

5. Payment and Checkout Controls

5.1 Approved Payment Methods

Amazon purchases may only be placed using:

- A district purchasing card assigned to the Amazon account
- A centrally managed district credit card controlled by the Business Office
- Electronic purchase order billing if supported

5.2 Prohibited Payment Practices

- Personal credit cards
 - Buying through personal accounts and requesting reimbursement
 - Split transactions to bypass purchasing limits
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6. Receiving and Verification Procedures

6.1 Receiving Documentation

When Amazon orders arrive, the receiving employee should:

- Inspect items for accuracy and condition
- Match items to the Amazon order and packing slip
- Document the date received
- Forward packing slips or electronic confirmations to the Business Office

6.2 Partial Shipments

- Partial or delayed shipments should be noted in the receiving documentation.
- Items should still be matched to the approved PO or requisition.

6.3 Incorrect or Damaged Items

- Returns should follow Amazon Business procedures.
 - Refund documentation should be forwarded to the Business Office.
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7. Monthly Reconciliation

7.1 Cardholder Responsibilities

Employees responsible for reconciling Amazon purchases should:

- Match each Amazon charge to an itemized receipt
- Provide business purpose documentation
- Ensure accurate account codes

7.2 Business Office Responsibilities

- Review all Amazon transactions for allowability
- Confirm the three-way match:
 1. Purchase authorization
 2. Amazon order/receipt confirmation
 3. Packing slip or receiving documentation
- Enter charges into the accounting system
- Investigate unusual, unapproved, or missing documentation

7.3 Segregation of Duties

Cardholders may not:

- Approve their own Amazon purchases
 - Reconcile their own charges in the accounting system
 - Control both purchasing and receiving functions
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8. Oversight and Monitoring

- The Board of Education will receive monthly reports as part of regular expenditure reviews.
- Noncompliance may result in:
 - Revocation of Amazon access
 - Card suspension
 - Disciplinary action

- Employee reimbursement for unauthorized purchases
-

9. Record Retention

The district should retain all Amazon purchasing documents in accordance with Illinois record retention law, including:

- Itemized receipts
- Pre-authorization documents
- Packing slips
- Amazon order confirmations

Electronic storage is acceptable if secured and backed up.

Section 3 — Asset & Fund Management

Journal Entries

1. Purpose

The purpose of this policy is to establish strong internal controls over the preparation, review, approval, and posting of journal entries to ensure the accuracy, reliability, and integrity of the district's financial records. Proper controls over journal entries help ensure compliance with laws and regulations, prevent mistakes, and support transparent financial reporting.

2. General Requirements

Journal entries must be used appropriately, adequately documented, properly authorized, and independently reviewed. Journal entries are intended to adjust previously recorded transactions and must not be used to bypass normal purchasing, payroll, or approval processes.

Journal entries may be used for, but are not limited to:

- **Reclassification of expenditures or revenues** that were originally coded to an incorrect fund, function, or object code
- **Internal transfers**, including moving cash between funds
 - *All internal cash transfers **must** be approved by the Board of Education through formal action **prior** to recording the journal entry and following Illinois School Code pertaining to the specific transfer type*
- **Month-end payroll reallocations**, including:
 - Allocation of TRS expenditures
 - **Grant expenditure corrections**, such as moving allowable expenditures from Fund 50 to Fund 10, when supported by grant documentation
- **Interest reclassifications**, including allocating interest earnings to appropriate funds as permitted by statute or Board policy
- **Internal loans** between district funds that occurred during the reporting period and were authorized in accordance with applicable laws and Board approval

Each journal entry must include a clear written explanation describing why the entry is necessary, how amounts were calculated, and which funds and accounts are affected.

3. Documentation Requirements

3.1 Expenditure Journal Entries

Journal entries affecting expenditures must be supported by sufficient documentation to clearly demonstrate the nature and validity of the adjustment. Required backup may include:

- Purchase orders
- Invoices or receipts

- Internal billing documents
- Emails or written explanations supporting the reclassification

Documentation must clearly explain why the journal entry is necessary and how amounts were calculated.

3.2 Revenue Journal Entries

For journal entries involving revenue reclassifications or deposit corrections, documentation must include:

- A bank statement or bank screenshot with the applicable amount clearly highlighted
 - Detailed receipt records supporting the deposit
 - Any supplemental documentation explaining the correction
 - A copy of an email or written communication from other district personnel, if applicable
-

3.3 Payroll-Related Journal Entries

Payroll journal entries require heightened documentation due to their sensitivity. Required backup includes:

- Employee time records by account or batch
- Payroll registers or reports supporting the amounts being reclassified
- Grant allocation schedules, if applicable

For recurring monthly payroll reallocations (such as moving Fund 50 expenditures to grant programs in Fund 10), detailed and consistent supporting schedules must be maintained each month.

4. Segregation of Duties and Review

- No single employee may independently prepare, review, and post a journal entry.
- All journal entries must be reviewed by a second individual prior to posting and signed or initialed to confirm review.
- The reviewer must ensure:
 - Proper documentation exists
 - Amounts are accurate
 - Account codes are appropriate
 - The journal entry complies with applicable requirements

Journal entries must not be finalized in the accounting system until all required approvals are obtained.

5. Authorization and Approval

- All journal entries must be reviewed and approved by the Superintendent or designated Fiscal Officer/CSBO

before being posted permanently in the accounting system.

- Approved journal entries must include clear evidence of authorization, either via manual signature, electronic approval, or workflow documentation within the financial system.
-

6. Oversight and Reporting

- A summary listing of all journal entries shall be provided to the Board of Education as part of the monthly financial reports.
 - The listing should include the date, description, amounts, funds affected, and authorization confirmation.
 - Board review provides an additional layer of administrative and governance oversight.
-

7. Record Retention

All journal entry documentation — including backup, approvals, explanations, and system reports — must be retained in accordance with Illinois record retention laws and auditor requirements. Documentation may be maintained electronically or in physical form, provided it is secure, organized, and accessible for review.

Investments

1. Purpose

The purpose of this policy is to establish strong internal controls over the investment of district funds to ensure compliance with state and federal requirements, safeguard public assets, and support practical fiscal management. A well-designed investment program should include clear authorization procedures, accurate bookkeeping, and appropriate segregation of duties.

2. General Requirements

The district should ensure that all investment activities are:

- Conducted by qualified and bonded personnel
- Properly documented and recorded
- Subject to regular oversight and reconciliation
- Designed to protect principal while ensuring safety, liquidity, and reasonable return

Internal controls should support transparency, accuracy, and full accountability in all investment transactions.

3. Investment Internal Control Requirements

3.1 Authorization of Transactions

- All investment transactions should be formally authorized by the Treasurer, Superintendent, or Board-designated investment officer.
 - No investment purchase, liquidation, or transfer may occur without appropriate Board of Education approval.
 - Authorization should occur before investment activity is executed with any financial institution.
-

3.2 Custody and Physical Control

- Investments should be held under the control of a designated investment custodian.
 - The investment custodian should be bonded in accordance with district policy and state statute.
 - Investments should be held in the name of the school district, not in the name of any individual employee or official.
 - Physical or electronic access to investment accounts should be limited to authorized personnel only.
-

3.3 Segregation of Duties

To ensure strong controls, the following functions should be assigned to separate individuals whenever possible:

- Investment custody

- Cash receipting
- Banking and fund transfers
- Recording and posting investment transactions
- Periodic review and reconciliation

The investment custodian should not be responsible for:

- Cash-receipt duties
- Investment record maintenance
- Posting transactions to the accounting system

Segregation of duties reduces opportunities for error, misappropriation, or misuse of district funds.

3.4 Recordkeeping and Documentation

The district should maintain:

- Detailed investment records for all transactions (purchases, maturities, interest earnings, transfers)
- Monthly interest statements, account summaries, and maturity schedules
- Documentation showing compliance with the district investment policies

Investment records should be accurate, current, and stored in accordance with record retention laws.

3.5 Reconciliation Procedures

- A monthly reconciliation of all investment accounts should be performed at minimum.
 - Reconciliation should compare:
 - Bank or custodian statements
 - Detailed accounting software records
 - Interest postings
 - Principal balances
 - Maturity schedules
 - Any discrepancies should be promptly investigated and resolved.
 - Reconciliations should be reviewed by an individual independent of the investment custodian.
-

3.6 Oversight and Appraisal

- The Treasurer or fiscal officer should periodically review investment performance, maturity schedules, and compliance with district investment policy.
- The Board of Education (or Board Finance/Investment Committee, if applicable) should periodically review:
 - Investment performance (Rates)
 - Compliance with allowed investment instruments
 - Risk exposure

- Investment strategies
 - Investment advisors (if used) should comply with district policy and state statute.
-

4. Compliance and Statutory Requirements

All investment activities should comply with:

- School Code investment provisions (105 ILCS 5/34-28)
- Federal and state reporting obligations
- Board policies on fund investment and collateralization (**4:30 Revenue and Investments**)

No investments may be made in instruments or institutions that are not permitted by statute or Board policy.

5. Record Retention

Investment documents — including monthly statements, transaction confirmations, maturity notices, interest reports, and correspondence — should be retained according to Illinois record retention laws and auditor expectations. Records should be:

- Secure
- Organized
- Accessible for audit
- Retained in accordance with the Local Records Act

Electronic copies are permissible if backed up and protected.

6. Procedures Manual

The district should maintain written Investment Procedures outlining operational steps for:

- Initiating investment transactions
- Approving investments
- Processing and recording earnings
- Reconciling investment accounts
- Maintaining investment documents
- Reporting investment activity to administration and the Board

Procedures should be reviewed and updated regularly to ensure compliance with changing laws, markets, and internal control structures.

Activity Accounts, Imprest (Revolving) Accounts, and Petty Cash

1. Purpose

The purpose of this policy is to establish effective internal controls over student activity accounts, imprest accounts, and petty cash funds. These accounts involve frequent small transactions, cash handling, and multiple individuals, making strong segregation of duties and detailed recordkeeping essential to safeguarding district assets and ensuring compliance with state and local requirements.

2. General Requirements

The district shall ensure that activity funds, imprest funds, and petty cash accounts are:

- Used only for their intended purpose
 - Properly monitored and reconciled
 - Kept physically secure
 - Supported by complete documentation
 - Activity Funds are restricted from commingling with district operating funds
 - Managed with appropriate segregation of duties
-

3. Activity Accounts

3.1 Use of Activity Funds

- Activity account funds are student-generated funds and must be used solely for student activities, clubs, sports teams, educational events, and student-related purposes.
- Activity funds may not be commingled with district funds, nor used for general district operations or employee-related expenses.
- No employee may cash personal checks or make personal withdrawals from activity accounts.

3.2 Activity Account Security

- All activity account cash must be secured and locked at the end of each day, event, or ballgame.
- Only authorized personnel may access activity account funds, deposit slips, or related documentation.

3.3 Documentation and Reporting

- Detailed monthly transaction reports must be submitted to the Business Office, including:
 - Deposits
 - Disbursements
 - Beginning/ending balances
 - Purpose of expenditures
- The board bill list must include specific descriptions (not generic terms such as "reimbursement of petty cash").

4. Imprest (Revolving) Accounts

4.1 Purpose of Imprest Accounts

- Imprest (revolving) accounts are established for immediate, small-dollar expenditures, such as paying officials or umpires at events where immediate payment is required.
- Reimbursement occurs through a lump-sum replenishment process through district funds, which must be fully documented.

4.2 Controls Over Imprest Accounts

- Each imprest account must have a pre-approved maximum balance, determined by district needs (e.g., athletics, student activities).
- Detailed logs must be maintained showing:
 - Amounts disbursed
 - Recipient
 - Purpose
 - Date
 - Remaining balance
- Imprest account funds must be kept physically secure and locked at the end of each day or event.

5. Petty Cash Funds

5.1 Purpose and Limits

- The petty cash fund is for small, incidental expenditures only.
- The total petty cash fund amount must be reasonable, based on building or district size, event frequency, and operational needs.

5.2 Restrictions

- Petty cash **may not** be used to cash personal checks for employees or students.
- Petty cash reimbursements require receipts and cannot be used in place of purchase orders for larger or recurring expenditures.

6. Segregation of Duties

To minimize risk, the following duties must be separated whenever possible:

- Collecting cash
- Depositing cash
- Recording transactions
- Reconciling accounts
- Approving disbursements

No single individual should write checks, deposit money, and reconcile accounts for activity, imprest accounts, or petty cash funds.

7. Recordkeeping Requirements

7.1 Completeness of Records

- Every transaction must be recorded in an approved system (e.g., spreadsheet, accounting software).
- Records must show:
 - Date
 - Source and amount of incoming funds
 - Purpose and amount of outgoing funds
 - Account balance after each transaction

7.2 Supporting Documentation

- All expenditures must have receipts or invoices.
- All deposits must include detail of the source (event name, organization, purpose).

7.3 Monthly Reconciliation

- Activity, imprest accounts, and petty cash accounts must be reconciled monthly at minimum.
 - Reconciliations must be reviewed by a supervisor or business office employee independent of the person who handled daily activity.
-

8. Physical Security

- Funds must be locked in a secure, fireproof, district-approved location.
 - Key or access rights must be limited to authorized individuals.
 - Cash boxes used at events must always remain under supervision and must be counted by two or more personnel.
-

9. Oversight and Review

- The building administrator or Business Office shall periodically review activity and imprest accounts.
 - The Board of Education or their designee shall review monthly activity account summaries as required by policy.
 - Unannounced cash counts by the business office may be conducted to verify balances.
-

10. Record Retention

- Activity account, petty cash, and imprest account records must be retained according to Illinois record retention laws and audit requirements.
- Documentation may be kept electronically or physically if secured and properly organized.

Interfund Transfers

1. Purpose

The purpose of this policy is to establish proper internal controls over interfund transfers to ensure financial statement accuracy, compliance with Illinois School Code requirements, and appropriate oversight of movements between district funds. Because interfund transfers occur infrequently, strong controls are necessary to prevent errors, misclassification, or inappropriate use of district resources.

2. General Requirements

Interfund transfers must be:

- Properly authorized
 - Approved by the Board of Education by Resolution
 - Documented in the official Board minutes
 - Segregated in duties between authorization and recording
 - Fully compliant with Illinois School Code transfer provisions (a table is provided below)
-

3. Authorization and Approval

3.1 Board Resolution Requirement

- Each interfund transfer must be authorized through a formal Board Resolution recorded in the official minutes of the Board of Education.
- The resolution must clearly identify:
 - The funds involved
 - The purpose of the transfer
 - The dollar amount
 - Statutory authority and Illinois School Code reference for the transfer

3.2 Management Authorization

- District management must approve the transfer before it is submitted to the Board.
 - The individual who authorizes the transfer must be independent of the accounting staff who record the entry.
-

4. Segregation of Duties

To maintain strong internal controls:

- No individual may both
 1. Authorize an interfund transfer and enter the transfer into the district accounting system.

2. Authorization must be separated from bookkeeping to prevent misstatement or improper fund activity.
-

5. Recording and Documentation

- Once the Board approves a transfer, accounting staff must record the transaction accurately in the financial system.
 - Documentation must include:
 - A copy of the Board Resolution
 - Supporting justifications or legal references
 - Journal entries showing both sides of the transfer
 - Transfers must align with generally accepted accounting principles and state reporting guidelines.
-

6. Oversight and Review

- The Treasurer or Business Manager shall periodically review interfund transfers to ensure compliance with board policy and state law.
 - Transfers must be reflected properly in monthly financial statements and the Annual Financial Report (AFR).
-

7. Record Retention

All interfund transfer records, including Board resolutions, journal entries, and financial reports, must be retained according to Illinois record retention laws and audit requirements.

Interfund Transfers

Note: Board resolution required for interfund transfers. See referenced code for details.

Type	Funds	Code	Public Notice / Hearing	Notes
Transfer between Operating Funds	Between ED-O&M-Trans.	105 ILCS 5/17-2A	Yes	Hearing Notice: Published in newspaper 7-30 days before hearing and posted notice 48 hours before hearing.
Transfer from Tort to O&M	Tort to O&M	105 ILCS 5/17-2A	Yes	Transfer is solely for the purpose of meeting one-time, non-recurring expenses (requirement lifted through 6/30/26).
Transfer to Debt Service	Any Fund Pledging Rev. to LT Debit Pmts	105 ILCS 5/2-3.27; 23 IAC 100.50(d)(1)	No	Transfer required whenever revenues are pledged to pay long-term debt
Interfund Loan	Between ED-O&M-Trans.- Fire Prev.	105 ILCS 5/10-22.33	No	May not loan from Fire Prev / Safety & Must repay loan within 3 years.
Working Cash Loan	WC to any Fund	105 ILCS 5/20-5	No	See Statute for required terms of resolution
Working Cash Abatement	WC to Fund(s) Most in Need	105 ILCS 5/20-10	No	Must leave 0.05% of EAV ("Nickel Levy")
Working Cash Abolishment	WC to Ed Fund	105 ILCS 5/20-8	No	
Working Cash Interest	WC to Fund(s) Most in Need	105 ILCS 5/20-5	No	Resolution must state purpose of transfer per 30 ILCS 350/9
Transfer of Earned Interest	Earning Fund to Fund(s) most in Need	105 ILCS 5/10-22.44; 30 ILCS 350/9(c)	No	Interest earned on any funds for IMRF, Tort, HLS, and Capital Improvements levies is exempted and shall be used only for the purposes authorized from which the interest earnings were derived.
Transfer Excess Bond Proceeds after Completed Purpose	Fund receiving Bond Proceeds to O&M	105 ILCS 5/10-22.14	No	
Transfer of Excess Fire Prevention/Safety/Energy Conservation/Security Bond Proceeds	Fire / Safety Fund to Bond & Interest Fund	105 ILCS 5/10-22.14	No	Requires abatement of taxes in the amount of the transfer.
Capital Projects	Transfer from Another Fund to Cap. Projects.	105 ILCS 5/2-3.27; 23 IAC 100.50(d)(2)	No	The acquisition of any equipment that must be financed from the transportation fund pursuant to Section 17-8 of the School Code.

Section 4 — Segregation of Duties

Segregation of Duties – Purpose

The purpose of this section is to establish clear internal control expectations regarding the segregation of duties within the Business Office. Because Illinois school districts vary in staffing levels, it is essential to implement internal controls that appropriately separate key financial responsibilities — such as authorization (A), bookkeeping (B), custody (C), recordkeeping, and reconciliation — based on the number of available personnel. Proper segregation of duties reduces opportunities for error, misuse, or fraud; enhances financial transparency; and ensures the reliability of the district’s financial statements. This section provides guidance for designing effective internal controls in both adequately staffed and minimally staffed business offices, ensuring that essential controls are maintained regardless of district size.

Mandatory Vacation or Rotation of Duties

The purpose of this suggestion is to strengthen internal controls by requiring employees in key financial roles to take a minimum seven-day consecutive vacation period each year or to participate in a temporary rotation of duties for at least seven days. This practice helps ensure that irregularities, errors, or fraudulent activities — if present — are more likely to be detected during the employee’s absence. Continuous control over a single financial function by one individual can create opportunities for concealment of inappropriate activity. A structured period in which another staff member temporarily performs or reviews these duties enhances transparency, promotes accountability, and provides a critical safeguard for protecting district assets and financial integrity.

System Access Controls and Prohibition of Shared Credentials

The purpose of this is to strengthen internal controls by ensuring that access to accounting systems, financial software, online banking platforms, payroll systems, and vendor portals is restricted, role-based, and secure. Not all employees require the same level of system access to perform their job duties; therefore, access must be limited to the minimum level necessary to complete assigned responsibilities.

Additionally, this policy establishes that sharing user IDs, passwords, or login credentials is strictly prohibited. Shared credentials reduce accountability, obscure audit trails, and increase the risk of unauthorized transactions or data manipulation. Maintaining unique user access enhances transparency, supports segregation of duties, allows for accurate tracking of activity, and helps protect district financial data and assets from misuse, error, or fraud.

- A – Authorization
- B – Bookkeeping
- C – Custody

Business Office with TWO Staff Members (Bookkeeper & Secretary)

In a small business office with two staff members, segregation of duties remains essential to maintaining strong internal controls. When functions cannot be fully separated due to staffing limitations, compensating controls—such as supervisory review, Board oversight, and independent reconciliations—must be implemented. The following structure outlines appropriate segregation of duties for districts with one **Bookkeeper (B)** and one **Secretary (C)**, with oversight by the **Fiscal Officer/Superintendent/CSBO (A)** and **Board of Education/Trustees (A)**.

1. Cash Receipts

Bookkeeper (B)

- Enters cash receipt transaction data into the accounting system based on detailed receipts prepared by the Secretary
- Reconciles monthly bank statements

Secretary (C)

- Opens mail and secures all incoming checks and cash
- Sorts receipts by source and fund
- Prepares detailed listings of cash receipts for both check payments and ACH deposits
- Makes daily deposits of all cash receipts
- Compares detailed receipt listings to accounting system postings to ensure accuracy

Fiscal Officer/Superintendent/CSBO (A)

- Reviews and signs the detailed cash receipts listing prior to deposits and transaction entry
- Periodically compares duplicate deposit slips with accounting system records
- Reviews and approves monthly bank reconciliations

Board of Education/Trustees (A)

- Reviews and approves the monthly cash receipts listing as part of the regular Board financial reports
-

2. Cash Disbursements

Bookkeeper (B)

- Enters disbursement transaction data into the accounting system
- Prepares the bills payable list

- Mails vendor checks after approval
- Reconciles monthly bank statements

Secretary (C)

- Audits invoices for mathematical accuracy and verifies that the purchase requisition, purchase order, receiving report, and invoice match (three-way match)
- Compiles documentation to support the bills payable list
- Prepares checks once the Board approves the bill list

Fiscal Officer/Superintendent/CSBO (A)

- Reviews checks, and support documentation for accuracy and appropriateness before forwarding to Treasurer for signature
- Reviews and approves monthly bank reconciliations

Board of Education/Trustees (A)

- Reviews and approves the bills payable list each month as well as bank reconciliation reports

Treasurer (A)

- Signs all vendor checks (this may also be completed by the Superintendent or another designated staff member)
- Prepares a monthly Treasurer's Report for Board review

3. Payroll

Bookkeeper (B)

- Performs payroll computations based on approved time sheets, contracts, or time clock records
- Enters payroll transactions into the accounting system
- Processes all payroll withholdings
- Compares net payroll amounts to the payroll ledger for accuracy
- Maintains the payroll ledger

Secretary (C)

- Maintains personnel records, including tax documentation, authorized payroll deductions, and benefit elections
- Reviews payroll calculations for accuracy before final processing

Fiscal Officer/Superintendent/CSBO (A)

- Signs employment contracts for salaried employees

- Reviews and approves hourly wage reports or electronic time clock summaries
- Compares net payroll amounts to the payroll ledger prior to authorization
- Directs payroll checks to the Treasurer for signature (when physical checks are required)

Board of Education/Trustees (A)

- Approves employment recommendations and personnel actions
- Establishes wage rates, salary schedules, and all stipends including administration stipends
- Approves payroll documentation as part of monthly financial reporting

Treasurer (A)

- Signs all vendor checks (this may also be completed by the Superintendent or another designated staff member)

Business Office with THREE Staff Members

(Bookkeeper + Position 1 + Position 2)

In a business office with three staff members, segregation of duties can be strengthened by distributing authorization, custody, and recordkeeping responsibilities across the Bookkeeper and two support positions, with oversight from the Fiscal Officer/Superintendent/CSBO and Board of Education. This structure reduces the likelihood of error or fraud and ensures sound internal controls across key financial processes.

1. Cash Receipts

Bookkeeper (B)

- Enters cash receipt transaction data into the accounting system based on the detailed receipts listing prepared by support staff

Position 1 (C)

- Opens mail and secures all incoming checks and cash
- Sorts receipts by source and fund
- Prepares detailed listings of cash receipts by source and fund, including check payments and ACH deposits
- Prepares deposit slips
- Makes daily deposits of all cash receipts

Position 2 (C)

- Compares the detailed cash receipt listing to postings recorded in the accounting system
- Reconciles monthly bank statements and prepares reconciliation reports

Fiscal Officer/Superintendent/CSBO (A)

- Reviews and signs the detailed cash receipts listing prior to deposit and before entries are posted into the accounting system
- Periodically compares duplicate deposit slips with the accounting records
- Reviews and approves monthly bank reconciliations completed by Position 2

Board of Education / Trustees (A)

- Reviews and approves the monthly cash receipts listing as part of the regular Board financial reports
-

2. Cash Disbursements

Bookkeeper (B)

- Enters disbursement transaction data into the accounting system
- Reviews monthly bank reconciliations
- Prepares the monthly bills payable list

Position 1 (C)

- Audits invoices for mathematical accuracy and verifies supporting documentation (purchase requisition, purchase order, receiving report, and invoice)
- Compiles data needed for the bills payable list
- Mails vendor checks after approval and signature

Position 2 (C)

- Prepares checks after Board approval of the bills payable list
- Compares checks with supporting documentation before they are submitted for signature
- Reconciles monthly bank statements

Fiscal Officer / Superintendent / CSBO (A)

- Directs prepared checks to the Treasurer for signature
- Reviews and approves monthly bank reconciliations
- Provides oversight of the overall disbursement process

Board of Education / Trustees (A)

- Reviews and approves the monthly bills payable list

Treasurer (A)

- Signs all vendor checks (this may also be completed by the Superintendent or another designated staff member)
- Prepares and submits the Treasurer's Report at the end of every month

3. Payroll

Bookkeeper (B)

- Enters payroll transaction data into the accounting system
- Compares net check amounts to the payroll ledger

Position 1 (C)

- Reviews payroll computations for accuracy
- Prepares payroll checks (when physical checks are required)

Position 2 (C)

- Performs payroll computations
- Processes payroll withholdings
- Maintains the payroll ledger
- Maintains employee personnel data and tax withholding records

Fiscal Officer / Superintendent / CSBO (A)

- Signs contracts for all salaried personnel
- Approves hourly time sheets, wage reports, or electronic time clock summaries
- Compares net payroll amounts to the payroll ledger prior to approval
- Sends payroll checks to the Treasurer for signature (when physical checks are required)

Board of Education / Trustees (A)

- Approves employment actions and staff contracts
- Establishes wage rates, salary schedules, and all stipends including administration stipends
- Approves payroll documentation as part of monthly financial reporting

Treasurer (A)

- Signs payroll checks (when physical checks are required)

Segregation of Duties – Business Office with Four or More Staff Members

(Bookkeeper + Position 1 + Position 2 + Position 3)

In larger business offices with four or more staff members, segregation of duties can be fully implemented across authorization, custody, and recordkeeping functions. This structure provides strong internal controls to safeguard district assets, reduce the risk of fraud or error, and ensure transparent financial operations. The following duties outline an effective distribution of responsibilities across Cash Receipts, Cash Disbursements, and Payroll functions.

1. Cash Receipts

Bookkeeper (B)

- Enters cash receipt transaction data into the accounting system based on detailed receipts prepared by support staff

Position 1 (C)

- Opens mail and secures all incoming checks and cash
- Sorts receipts by source and fund
- Prepares detailed listings of cash receipts by source and fund, including check payments and ACH deposits
- Prepares deposit slips
- Makes daily deposits of all cash receipts

Position 2 (C)

- Compares the detailed cash receipts listing prepared by Position 1 with the corresponding postings in the accounting system to verify accuracy

Position 3 (C)

- Prepares monthly bank reconciliations
- Periodically compares duplicate deposit slips with accounting system records

Fiscal Officer/Superintendent/CSBO (A)

- Reviews and signs the detailed cash receipts listing **prior** to system entry and deposit
- Reviews and approves monthly bank reconciliations performed by Position 3

Board of Education/Trustees (A)

- Reviews and approves the monthly cash receipts listing as part of the regular Board financial reports
-

2. Cash Disbursements

Bookkeeper (B)

- Enters disbursement transaction data into the accounting system
- Prepares the monthly bills payable list

Position 1 (C)

- Audits invoices for mathematical accuracy and verifies supporting documentation (purchase requisition, purchase order, receiving report, and invoice)
- Compiles documentation supporting the bills payable list
- Mail checks once approved and signed

Position 2 (C)

- Prepares vendor checks after Board approval of the bills payable list
- Reviews monthly bank reconciliations

Position 3 (C)

- Compares prepared checks with supporting documentation before they are submitted for signature
- Performs monthly bank statement reconciliations

Fiscal Officer/Superintendent/CSBO (A)

- Directs approved checks to the Treasurer for signature
- Reviews and approves monthly bank reconciliations

Board of Education/Trustees (A)

- Reviews and approves the monthly bills payable list

Treasurer (A)

- Signs all vendor checks
- Prepares and submits a monthly Treasurer's Report to the Board

3. Payroll

Bookkeeper (B)

- Enters payroll transaction data into the accounting system

Position 1 (C)

- Reviews payroll computations for accuracy
- Prepares payroll checks (if physical checks are required)

Position 2 (C)

- Performs payroll computations
- Processes all payroll withholdings
- Maintains the payroll ledger

Position 3 (C)

- Compares net payroll amounts to the payroll ledger for accuracy
- Maintains personnel data records, including tax forms and authorized withholdings

Fiscal Officer/Superintendent/CSBO (A)

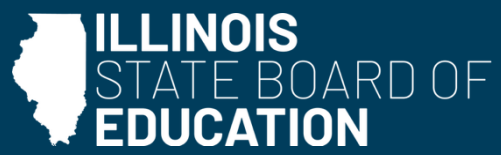
- Signs contracts for all salaried employees
- Approves hourly wage reports or time clock summaries
- Verifies net payroll calculations before authorization
- Directs payroll checks to the Treasurer for signature (if physical checks are required)

Board of Education/Trustees (A)

- Approves employment actions and personnel documents
- Establishes wage rates, salary schedules, and all stipends including administration stipends
- Approves payroll documentation as part of monthly financial reporting

Treasurer (A)

- Signs payroll checks (if physical checks are required)



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