

Separation of Duties for Cash Disbursements

Proper segregation of duties for cash disbursements ensures that no single individual controls all aspects of approving, processing, and recording payments. This minimizes the risk of fraud, errors, and unauthorized disbursements.

Roles and Responsibilities

Authorization of Payments

- **Role:** Superintendent, Principal, or Fiscal Officer
- **Responsibilities:**
 - Approve purchase orders, vendor invoices, or payment requests before funds are disbursed.
 - Ensure expenses comply with board-approved budgets and policies.
 - Review supporting documentation (e.g., purchase orders, vendor invoices, or contracts) for accuracy and legitimacy.

Preparing Disbursements

- **Role:** Accounts Payable Clerk or Bookkeeper
- **Responsibilities:**
 - Verify that payment requests have proper approvals and supporting documentation.
 - Prepare checks or initiate electronic payments based on approved documentation.
 - Match invoices to purchase orders and receiving reports to confirm goods/services were received.

Signing or Approving Disbursements

- **Role:** Superintendent, Board Treasurer, or Authorized Check Signer(s)
- **Responsibilities:**
 - Review prepared checks or payment summaries before signing.
 - Ensure dual signatures are required for checks over a specified threshold.
 - Approve electronic funds transfers (EFTs) or ACH payments through secure login credentials.

Distributing Payments

- **Role:** Administrative Assistant or Designated Employee (not involved in preparation)
- **Responsibilities:**
 - Mail checks or process electronic payments securely.
 - Maintain a log of payments issued and verify delivery as needed.

Recording Transactions

- **Role:** Bookkeeper or Accountant
- **Responsibilities:**
 - Record payments in the accounting system (e.g., accounts payable ledger and general ledger).
 - Ensure payments are properly coded to the appropriate expense accounts.

Reconciling Accounts

- **Role:** Fiscal Officer or Independent Employee
- **Responsibilities:**
 - Reconcile bank statements with disbursement records monthly.
 - Investigate discrepancies and ensure adjustments are documented and approved.

Monitoring and Oversight

- **Role:** School Board or External Auditor
 - **Responsibilities:**
 - Review periodic disbursement reports for accuracy and compliance.
 - Ensure that internal controls are followed consistently.
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Illustrative Example of Segregation of Duties

Scenario: Payment to a Vendor for Classroom Supplies

1. **Authorization:**
 - The principal submits a purchase order to the superintendent for approval.
 - The superintendent reviews and approves the purchase order.
2. **Preparation of Disbursement:**
 - The accounts payable clerk receives the vendor's invoice and verifies it against the approved purchase order and delivery receipt.
 - The clerk prepares a check for the vendor.
3. **Signing or Approving Payment:**
 - The superintendent and a board member (dual signature policy) review the check and supporting documentation before signing.
4. **Distribution:**
 - An administrative assistant mails the signed check to the vendor.
5. **Recording:**
 - The bookkeeper records the payment in the accounts payable ledger and assigns it to the appropriate budget account.
6. **Reconciliation:**
 - At the end of the month, the fiscal officer reconciles the bank statement with disbursement records to confirm all payments are accounted for.
7. **Oversight:**
 - The school board reviews the monthly disbursement report to ensure compliance with budgets and policies.

Additional Safeguards for Cash Disbursements

1. Dual Control for High-Value Transactions:

- Require two signatures on checks over a specific amount (e.g., \$5,000).
- For electronic payments, require two levels of approval in the online banking system.

2. Secure Check Stock and Access Control:

- Store blank checks in a locked, secure location.
- Limit access to accounting software and payment processing systems to authorized personnel.

3. Periodic Vendor Reviews:

- Regularly review the vendor list to ensure all vendors are legitimate and active.
- Cross-check vendor addresses and banking information to prevent fraudulent payments.

4. Audit Trail Maintenance:

- Keep all supporting documentation (e.g., purchase orders, invoices, and payment records) organized and easily accessible for audits.

5. Board Oversight:

- Present disbursement summaries and budget reports to the school board monthly for review and approval.
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Addressing Limited Staff Scenarios

In small school districts where staffing may be limited:

- Rotate responsibilities periodically to maintain segregation of duties.
- Engage the school board to review and approve disbursement processes.
- Use external auditors or consultants to periodically review payment processes and reconcile accounts.

Example of Adjusted Roles for Limited Staff:

- The accounts payable clerk prepares checks, but the superintendent approves them.
- The bookkeeper reconciles the bank statement, and the school board reviews the reconciliation monthly.