Accounting 1

Finance

Internal Controls Internal Controls Last summer, I got a chance to volunteer in a child aid organization and was impressed by the organization's internal controls. The five basic components of internal controls were visible in the organization. Overarching the organization's internal control was an impressive environmental control. I realized that the employees had internalized the organization's goals and the management did not impose demands on the employees. There was evident cooperation and harmony amongst all levels of the organization that was primarily an input of the organization's human resource department.

The organization had elaborate risk assessment about which every employee was cognizant. The organization conducted risk awareness and emergency response training regularly. Fire extinguishers were regularly checked and replaced and there were notices providing information on what do in the event of a hazard. The management routinely supplied employees with the latest information on common and emergent risks.

I realized that the organization monitored and reviewed its internal controls periodically. The petty cash was checked at the end of every week and recommendations given on what to avoid and what to improve. Internal controls that were found ineffective or failing after monitoring were replaced and others were improved in order to enhance their functionality. The organization had a comprehensive yet simple way of reporting risks to the relevant officials in which everybody knew the most immediate person to approach. The organization had good information and communication system in place. The management issued memos in good time when calling for a meeting and every employee was issued with a copy of previous meeting's minutes with the day's agenda. The management was respectful in the way it summoned employee for disciplinary action and they did not let other employees know about it.

The most outstanding element of the organization's internal controls was its control activities. The duties of different individuals were separated and every individual knew what they were supposed to do and what to forward to the next person. This was most evident in the accounts department where duties such as approval of purchases, reception of deliveries, approval of invoices, review, and reconciliation of financial records were handled by different people. There were clear procedures for transactional authorization where there were officers entrusted with authorizing purchases and payments. No such transactions could be undertaken without the permission of these officers. The organization had set clear upper and lower limit price policies.

The organization used both electronic and manual documentation and record keeping. Electronic documentation and record keeping enhanced easier crosschecking and reliability in auditing. The accounting software that the organization used had passwords that protected unauthorized interference such as unscrupulous journal entries and modifications. Internal and external auditors conducted independent and surprise checks. The organization's employees used control checklists similar to the ones the auditors used in order to remain always prepared for impromptu checks. The organization was keen in ensuring the security of its assets. Goods and materials were locked up in stores and only specified employees had keys to the stores. Access to the organization's inventory was restricted to appropriate staff and opening and closing inventory amounts were calculated periodically. The organization assessed its fraud prevention measures regularly and made appropriate changes.