

Making Payments: Segregation of Duties

The same person should not do the following if possible:

- Approve payments and process payments
- Prepare payments and be an authorized signer
- Prepare checks and receive and reconcile the bank statement

Purchasing/Check Requests

- Establish a board approved purchase authorization policy that includes:
 - ⇒ Who can authorize purchases/check requests and the dollar ceiling that requires authorization
 - ⇒ The number of signatures required for purchases above a certain dollar amount
- Require three competitive bids or price quotations for purchases at a \$ threshold.
- Develop a policy statement with regard to conflicts of interest, including employee-vendor and board member-vendor relationships.
- Require advance approval for all purchases if the process is not delegated after the budget is approved. A purchase authorization order/check request form should include:
 - ⇒ Name of person requesting the purchase
 - ⇒ Vendor name and address
 - ⇒ Description of goods/services
 - ⇒ Estimated cost of goods/services
 - ⇒ Brief description of organizational use for goods/services
 - ⇒ Budget category to which goods/services should be charged
 - ⇒ Authorization signatures (it is best to have at least two signatures)
- Before approving a purchase/check request, review the request against the amount remaining in the appropriate budget category to be sure funds will not be spent in excess of the approved budget.
- Give copies of approved purchase authorizations to both the person who will pay the bills and the person who will receive incoming goods.
- Count and inspect all incoming items.
- Give receiving documentation with noted comments to the person who pays the bills.
- Before paying for purchases, make sure the purchase authorization/check request and receiving documents match.