

Appendix A – Example of duty assignments for small governments

One-person accounting department

Strong oversight and independent authorization of transactions are essential if you must function with a one-person accounting department. Innumerable risks arise when one person is given so many duties and responsibilities. To adequately mitigate risk, you will need at least one other person to provide oversight. Among your options:

- An elected official or member of the governing body
- An outside contractor, such as a local accounting firm
- A task-exchange with a nearby government, in which you perform oversight functions for each other

Whichever solution you choose, make sure the person involved understands the risks they are looking for. (A quick review of the Risks column in the detailed sections of this guide can help.) And finally, don't rely on an audit to discover fraud or verify it isn't taking place. Every local government is responsible for safeguarding its assets before something happens. **Figure 1** illustrates one way duties might be separated in a one-person accounting department.

Figure 1: One way to organize a one-person department

Duty (and related page)	Clerk 1	Oversight person
Cash receipt (p. 10)	Collect receipts from customers, prepare the deposit, and make the deposit with the bank	Ensure deposits were made intact by comparing paper receipt records (source records to support the deposit) to bank statement deposit information. This should include confirming that cash vs. check composition is correct for all deposits.
Accounts receivable (p. 15)	Send out billings, post payments to accounts, perform collections	Monitor key reports including aging reports, monthly revenue activity, and adjustments to customer accounts
Payroll (p. 18)	Process and prepare checks (or use a 3rd party vendor or County Auditor if possible)	Review the payroll register, approve time sheets, sign and distribute checks
Accounts payable (p. 21)	Process invoices and prepare checks (or use County auditor)	Review supporting documentation, approve invoices, sign and mail checks
Purchasing and procurement (p. 25)	Obtain or review quotes or bids	Review and sign all contracts or purchase orders
Capital assets (p. 30)	Maintain a listing	Periodically check to ensure all assets are accounted for (inventory) and used for governmental purposes
Banking (p. 33)	Prepare the bank reconciliation	Be the signer on the account. Review the bank reconciliation. Monitor banking activity with direct online access or by having an original statement mailed directly with the copies of endorsed checks.
General ledger (p. 35)	Perform journal entries	Review and approve

Two-person accounting department

A two-person department allows for improved separation of duties, especially if they can periodically rotate duties to further strengthen controls. But there are still plenty of conflicting responsibilities to look out for. To adequately mitigate risk, you will need at least one other person to provide oversight. Among your options:

- An elected official or member of the governing body
- An outside contractor, such as a local accounting firm
- A task-exchange with a nearby government, in which you perform oversight functions for each other

Whichever solution you choose, make sure the person involved understands the risks they are looking for. (A quick review of the Risks column in the detailed sections of this guide can help.) **Figure 2** illustrates one way duties might be separated in a two-person accounting department.

Figure 2: One way to organize a two-person department

Duty (and related page)	Clerk 1	Clerk 2	Oversight person
Cash receipt (p. 10)	Perform receipting, prepare the deposit, and deliver the deposit to the bank (if needed)	Backup cash receipt, but limit access as much as possible to all receipts and the deposit	No access. Might do a last look at the deposit periodically to ensure checks deposited are only that of customers.
Accounts receivable (p. 15)	No duties	Send out billings, manage customer accounts, collections, customer concerns	As clerk 2 will likely be a backup to cash receipt, additional oversight over accounts receivable key reports such as account adjustments
Payroll (p. 18)	Edit the payroll master file, preliminary review of the payroll register, and prepare checks	Process the payroll	Final review of the payroll register and payroll payments, authorize pay increases
Accounts payable (p. 21)	Process invoices, prepare checks	Edit vendor master file	Final review and authorize payments
Purchasing and procurement (p. 25)	No duties	Obtain and review bids	Review and approve purchase over a certain threshold
Capital assets (p. 30)	Maintain a listing	Periodically conduct an inventory	Optional review of the inventory and listing
Banking (p. 33)	None	Reconcile the bank activity	Be the signer on the account. Review the bank reconciliation in detail, ensure deposits are made intact if clerk 2 has any access to the deposit (prevent if possible).
General ledger (p. 35)	Prepare journal entries	Review	Optional review

Three-person accounting department

Compared to one- and two-person departments, risks start to decrease significantly in a three-person operation. Conflicting duties can be more readily distributed between three, with more opportunities to rotate duties periodically to strengthen controls. Oversight is still needed and plays a key role, but the transactions that person is authorizing pose fewer risks and the review procedures can be less extensive. **Figure 3** illustrates one way duties might be partially separated with a three-person accounting department.

Figure 3: One way to organize a three-person department

Duty (and related page)	Clerk 1	Clerk 2	Clerk 3	Oversight person
Cash receipt (p. 10)	Receipt cash from customers and take the deposit to the bank	Backup cash receipt, but limit access as much as possible to all receipts and the deposit. Prepare the deposit.	Monitor to ensure the deposits are made by comparing validated bank receipt to source records	No duties or access to the deposit
Accounts receivable (p. 15)	No duties	Post payments to customer accounts, send out billings	Execute any account adjustments, approve under a threshold	Approve write offs or refunds over a certain threshold
Payroll (p. 18)	Add new employees and wage rates	Process time sheets and prepare/mail payroll checks	Review the payroll register and file payroll taxes	Approve time sheet, pay increases, authorize payroll payments
Accounts payable (p. 21)	Process invoices and prepare/mail the checks. Prepare any electronic payments.	Edit vendor master file – add new vendors	Serve as auditing officer	Authorize invoices and checks and any electronic payments. Review the bank reconciliation.
Purchasing and procurement (p. 25)	No duties	No duties	Obtain and review bids	Review and approve purchase over a certain threshold
Capital assets (p. 30)	Maintain a listing	Option to review the listing and inventory	Conduct an inventory	
Banking (p. 33)	No duties.	No duties	Reconcile the bank activity	Be the signer on the account. Review the bank reconciliation in detail, ensure deposits are made intact if clerk 2 has any access to the deposit (prevent if possible).
General ledger (p. 35)	Prepare journal entries	Prepare journal entries	Review	Option to review