

## Internal Control Recommendation Management Response Template

**Recommendation:** Mail possibly containing checks, money orders, or cash should be opened by two people.

**Recommended By:** State Advisory Services Report on Receipting Procedures 2024.

**Objective:** Safeguarding of Assets – Money received by the Agency will be recorded and deposited intact.

**Risks to Objective:** Failure to record cash or checks received through the mail.  
Lost or stolen receipts.

**Criteria:**

*Accounting and Uniform Compliance Guidelines for State and Quasi Agencies, Section 4.3.2 “Resources permitting, mail possibly containing checks, money orders, or cash should be opened by two people.”*

*Uniform Compliance Guidelines on Internal Controls for State and Quasi Agencies, Part One: Control Activities, p. 23-26*

Financial Management Circular 6.1

Indiana Code 5-13-6

**Management’s Response to Risks to Objective:**

\_\_\_\_\_ **Accept.** Management acknowledges the risk but makes a deliberate decision to retain the risk, usually due to risk insignificance or costly mitigation.

\_\_\_\_\_ **Avoid.** Management eliminates the risk. For example, requiring customers to pay fees online to avoid the risks inherent to accepting cash or checks.

\_\_\_\_\_ **Reduce.** Management takes action to bring the risk down to a manageable level by designing internal controls to prevent or detect the risk event - for example segregation of duties, review, or authorization procedures.

\_\_\_\_\_ **Share.** Management shares the risk by transferring the risk to another party, for example the purchase of insurance.

### Factors Considered by Management:

\_\_\_\_ Cost versus Benefit (explain) For example -

- Few checks received through the mail
- Small dollar amount received through the mail
- Revenue is expected – all ties to accountable items
- Other

\_\_\_\_ Compensating controls planned or in place (detail in next steps/SOP)

\_\_\_\_ Other (describe)

### Next Steps:

1. If management chooses to **accept** the risk, no further action is necessary. Documentation of decision must be retained for audit.
2. If management chooses to **avoid** the risk, describe how the risk will be avoided. For example, use of centralized accounting or third-party service provider. Documentation must be retained for audit.
3. If management chooses to **share** the risk, describe how the risk will be shared. Documentation must be retained for audit.
4. If management chooses to **reduce** the risk, ***choose one*** of the following options.

\_\_\_\_ Two persons will be assigned responsibility for opening the mail with specific process documented in written standard operating procedure (SOP). The SOP will include a monitoring process to ensure procedures are performed as intended.

\_\_\_\_ Compensating Controls will be put in place with specific process documented in written SOP. The SOP will include a monitoring process to ensure procedures are performed as intended.

Examples of Compensating Controls:

- Documented review of mail log / receipt book by person independent of the mail collection process (for example,

independent review to include comparison of mail log to accounts receivable records/accountable item, and deposit)

- Receipts collected through centralized accounting or third-party service provider.
- Trend analysis of revenue received in the form of cash or check
- Camera installed to monitor opening of mail and recording of receipts
- Other (explain)

### **Documentation:**

Management's response and rationale must be documented and made available for audit.

An SOP for opening the mail must be written, approved by management, and communicated to appropriate staff. The SOP must be available for audit.

SOP Reference or File Location: \_\_\_\_\_

### **Additional Internal Control Considerations from the State Accounting Manual**

- Money received should be recorded at time of receipt. Checks should also be restrictively endorsed, and date stamped upon receipt. This should occur upon opening the mail or otherwise receiving the instrument (check).
- Considering the materiality of collections and the size of the agency, the complete listing of collections received should be made by a person independent of the duties of processing the receipts or making deposits. Editing of the listing should be restricted to initial recorder and the reconciler.
- The duties of collecting monies, processing the receipt, license, permit, etc., preparing and making deposits, and performing reconciliations should be segregated to the fullest extent possible considering the size of the agency and the materiality of collections.
- Supporting documentation for monies received must be maintained and made available for audit to provide supporting information for the validity and accountability of monies received. Documents must be filed in such a manner as to be readily accessible, or otherwise reasonably attainable, upon request during an audit.

**Example:** SOP for Two Persons Opening the Mail

**SOP Name:** Mail Handling Process

**Effective Date:**

**Assigned Roles:**

*Person A (or Title):* \_\_\_\_\_

*Person B (or Title):* \_\_\_\_\_

*Backup Person (or Title):* \_\_\_\_\_

*Finance Person:* \_\_\_\_\_

**Procedure:**

1. Persons A and B will work together to securely retrieve and open mail possibly containing checks. The Backup Person will fill in if Person A or Person B is unavailable.
2. Each day, Persons A and B will retrieve mail from central mailroom / lockbox.
3. In each other's presence,

Person A will open the mail and restrictively endorse each check received.

Person B will record each check received on a mail log.

Persons A and B will sign the mail log indicating agreement that all checks have been endorsed and recorded in the proper amount.

Persons A and B will provide the signed mail log and endorsed checks to the Finance Person for processing.

4. The Finance Person will review the mail log and ensure each entry has a corresponding endorsed check.

**Approved By:** \_\_\_\_\_

**Date:** \_\_\_\_\_

**Example:** SOP for Compensating Controls When Segregation of Duties is not Possible

**SOP Name:** Mail Handling Process

**Effective Date:**

**Assigned Roles:**

*Person A (or Title):* \_\_\_\_\_

*Person B (or Title):* \_\_\_\_\_

*Person C (or Title):* \_\_\_\_\_

*Backup Person (or Title):* \_\_\_\_\_

**Procedure – Example :**

1. Person A will retrieve and open the mail.
2. Person A will record each receipt (cash, check or money order) on the mail receipt log.
3. Person A will restrictively endorse each check immediately.
4. Person A will sign the mail log indicating that all checks have been endorsed and recorded in the proper amount.
5. Person A will provide the signed mail log and endorsed checks to the Person B for processing.
6. Person B will review and sign the mail log to ensure each entry has a corresponding endorsed check.
7. Person B will compare accountable items / accounts receivable to the amount collected.
8. Person B will prepare and make the deposit.
9. Person C will reconcile the mail log and accounting entry to the amount deposited.