
Maintaining a Payment Process That Can Be Audited

Kay E. Anderson

The Payment Process

The payment process involves three steps. They are receipt of funds, approval of payment, and writing the checks. The duties of receiving funds, approving payment of bills, and disbursing funds should be assigned to different people.

Receipt of Funds

The person who receives funds should not be a signatory on the bank account. Usually the person who receives funds is the person who opens the mail. When a letter is opened that contains money, it should be recorded on a log. The log should contain information on the source of funds, date received, amount of funds, payee, purpose of funds, and initials of the person who recorded the information.

Approval of Payment

Before paying a bill, at least two people should have reviewed the bill and signed it, indicating payment approval. A signatory on the checking or savings account should not also be assigned to approve bills. Similarly, a payee should not approve his or her own payments.

While it is ideal to have one person receive funds, one approve payment, and one write checks, this is not always possible. In such cases, make sure at the very least that signatories on the account(s) are restricted from receiving funds or approving payment.

Writing the Checks

In nonprofit accounting all checks issued usually have two signatures. Most often they are the signatures of two of the officers of the corporation, although in larger nonprofits the signature of the executive director, financial officer, or officers of the board of directors may be used.

Kay E. Anderson, MES Grants Development Coordinator



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