



SUBJECT

GENERAL INTERNAL CONTROLS

I. AUTHORITY

A.R.S. § 35-131; 41-722

II. POLICY

All other areas of internal control depend directly upon the philosophy of general internal controls. Accordingly, the following general financial controls must be developed and followed.

- A. Each agency director must develop an organizational chart clearly defining lines of authority and responsibility.
- B. All financial and accounting responsibilities must be segregated so that no one individual has complete authority over an entire transaction.
- C. All employees must be required to take annual vacations. Preferably, these vacations should be of uninterrupted periods.
- D. The work of vacationing employees must be performed by other employees to the extent possible during their absence.
- E. All principal accounting records and accounting employees at all locations must be under the direct or indirect supervision of the principal accounting officer (Comptroller).
- F. All officers or employees in key positions must be unrelated to one another.
- G. All official accounting reports must be prepared or checked by persons other than those responsible for operations for which the report is prepared.
- H. Each agency director must develop a policy assigning approval authority for financial transactions.
- I. Each agency director must develop controls to prevent expenditure of funds in excess of the appropriation in the case of appropriated funds.
- J. Each agency director must develop controls to prevent expenditures of funds in excess of the cash balance in the case of non-appropriated funds.
- K. If the agency receives federal financial assistance, the agency director must develop a policy that requires the agency to prepare federal grant financial reports in accordance with the requirements of the federal cognizant agency.
- L. If the agency receives federal financial assistance, the agency director must develop a policy that requires the agency to develop an indirect cost recovery plan.
- M. Each agency must reconcile its internal accounting records to the State Accounting System (AFIS) at least monthly. This reconciliation must be documented.
- N. Each agency must maintain all records in accordance with the Records Retention and Disposition Schedule as established by the Department of Library and Archives. (See section V-E of this manual.)