

Accounts Payable and Internal Controls

The vital role that internal controls play within any well managed medical practice is widely recognized. Knowledgeable practice managers are well aware that poor controls in this single area can result in far more dire consequences than simply dampened earnings. The following are questions that provide you with a quick means to identify and evaluate common internal accounting controls related to your own payables processing system.

Are all disbursements, except those from petty cash, made by pre-numbered checks?

Are unused computer checks kept in a secure, locked location?

Are voided checks preserved and filed after appropriate mutilation?

Is there a written prohibition against drawing checks payable to Cash?

Is there a written prohibition against signing checks in advance? (i.e. Writing and then holding checks)

Is a cash disbursement voucher prepared for each invoice or request for reimbursement that details the date of check, check number, payee, amount of check, description of expense account (and restricted fund) to be charged, authorization signature, and accompanying receipts? This control would mainly apply to larger medical practices.

Are all expenditures approved in advance by authorized persons?

Are signed checks mailed promptly?

Does the check signer review the cash disbursement voucher for the proper approved authorization and supporting documentation of expenses?

Are invoices marked Paid with the check number, date and amount of the check?

Are requests for reimbursement and other invoices checked for mathematical accuracy and reasonableness before approval?

Is a cash disbursement journal prepared or printed and reviewed monthly that details the date of check, check number, payee, amount of check, and columnar description of expense account charged?

Is check-signing authority vested only in those persons who are at appropriately high levels within in the medical practice?

Is the number of authorized signatures limited to the minimum practical number?

Do larger checks require two signatures?

Are bank statements and canceled checks received and reconciled by a person independent of the authorization and check signing function?

Are unpaid invoices maintained in an unpaid invoice file?

Is a list of unpaid invoices regularly prepared and periodically reviewed?

Are invoices from unfamiliar or unusual vendors reviewed and approved for payment by authorized personnel who are independent of the invoice processing function?

How are double payments to vendors identified within the current payables system?

If purchase orders are used, are all purchase transactions used with pre-numbered purchase orders?

Are employees required to submit expense reports for all travel related expenses on a timely basis?

Are expense reports scrutinized closely before paid?

Are credit card statement scrutinized closely before paid?