

**SELF-ASSESSMENT OF
INTERNAL CONTROLS
QUESTIONNAIRE
BOOKLET**

Department of
Accounting and General Services

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STATE OF HAWAII
 Self-Assessment of Internal Controls for
 State Departments and Agencies

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Section I - Introduction

SELF-ASSESSMENT OF INTERNAL CONTROLS

INTRODUCTION

The Self-Assessment of Internal Control questionnaire is a tool utilized by the Hawaii State government to confirm the presence of an internal control system within State government. This tool is completed by all State departments and agencies (departments) that are reported as part of the primary government within the State's Comprehensive Annual Financial Report (CAFR). State departments and agencies that have their financial statements discretely presented as component units and major proprietary funds in the State's CAFR are also required to complete this questionnaire, as appropriate.

An internal control system provides the State's management with reasonable assurance that the State's financial statements are presented fairly.

The ultimate responsibility for a strong system of internal control rests with the State's management. On an annual basis, when submitting financial statement information management must attest to the accuracy of that information along with the soundness of its established internal controls. The questionnaire is the key tool in making these assertions.

The questionnaire consists of the following sections and accounting cycles:

General Elements of Internal Control

1. Control Environment
2. Risk Assessment

Budget and Financial Cycles

3. Financial Reporting Cycle
4. Budget Reporting Cycle
5. Cash Receipts Cycle
6. Accounts Receivable Cycle
7. Purchasing / Accounts Payable Cycle
8. Human Resources Cycle
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Federal Program Compliance

14. Major Federal Financial Assistance Cycle

General Requirements

- Davis-Bacon Act
- Allowable Costs / Cost Principles
- Period of Availability
- Procurement and Suspension and Debarment
- Program Income
- Cash Management
- Reporting

Specific Requirements

- Activities Allowed or Unallowed
- Matching, Level of Effort, or Earmarking
- Eligibility

Supplemental Requirements

- Subrecipient Monitoring

Within each cycle, except the control environment and risk assessment, five internal control elements are to be reviewed. Many aspects of internal control are currently documented in the State laws, Hawaii Administrative Rules, the State's Accounting Manual, Comptroller's Memorandums, and the State Procurement Office's policies and procedures and circulars and directives. These statewide policies and procedures are updated on a regular basis.

Not all transaction cycle questionnaires will apply to all departments and not all federal compliance questionnaires will apply to all federal programs. All applicable transaction cycle type questionnaires should be filled out for each department and for each sub-unit where the cycle is separate and distinct. One set of federal compliance questionnaires must be filled out for each major federal program. Not all the questionnaires are applicable to all programs.

The majority of the questions are phrased so that a "Yes" answer indicates control strength and a "No" answer indicates a potential weakness. It is not expected that a questionnaire will have all "Yes" answers even if controls are adequately addressed. The questionnaire serves as an aid in evaluating how well risks are being addressed through present control policies and practices. They are also designed to raise awareness of certain issues and encourage further analysis and discussion. Other risk assessment and management activity is required to adequately address issues raised and provide adequate control.

The Audit Division, Department of Accounting and General Services, should be contacted if there are any questions concerning this questionnaire. The internal control questionnaire should be maintained for review and audit.

Section II - Statewide Internal Control Framework

STATEWIDE INTERNAL CONTROL FRAMEWORK

Introduction

The Hawaii State Government is a very complex organization, consisting of 17 separate Executive Branch departments and employing approximately 53,000 personnel. These departments have their own fiscal staff, and because of the limitations of the State's financial accounting and management information system, some of the departments have set up their own accounting systems. Every citizen of Hawaii is touched by state government, with thousands of individuals and families using State services daily. In order to successfully govern the State in such complex environments, operations must be effectively managed. Internal control enables management to effectively deliver services to Hawaii's citizens, and to help ensure the reliability of financial statements and compliance with laws and regulations.

Because of the essential importance of internal controls and the complexity of state government, the State Comptroller has created this internal control framework to establish a single definition of internal control applicable statewide and also to detail the elements which a sound system of internal control should possess.

Internal Control – Definition

Internal Control means different things to different people. Common understanding of internal control have centered on the routine actions surrounding certain transactions meant to ensure correctness and reduce risk of loss. While these are examples of specific internal controls, a more comprehensive definition is required. The following is the State's definition of internal control:

Internal Control is a process based on the State's organizational structure, work and authority flows, employees and management information systems, designed to help management accomplish its specific goals or objectives. It is a course by which the State's resources are directed, monitored, and measured. It plays an important role in preventing and detecting fraud and protecting the State's resources, both physical and intangible.

At the State and department level, internal control objectives relate to the reliability of financial reporting, effectiveness and efficiency of operations, timely feedback on the success of operational or strategic goals, and compliance with laws and regulations. At the specific transaction level, internal control refers to the actions taken to achieve a specific objective. Internal control procedures reduce process variations, leading to more predictable outcomes.

Elements of Internal Control

Internal Control consists of the following five interrelated elements.

- Control Environment
- Risk Assessment

- Control Activities
- Information and Communication
- Monitoring

These elements interact with all the State's operational processes and must be in place and properly functioning for an effective system of internal control to succeed. The following paragraphs describe how these elements function within a system of internal control.

Control Environment

The control environment sets the tone of an organization, influencing the control consciousness of its people. It is the foundation for all other elements of internal control, providing discipline and structure. Control environment factors include the integrity, ethical values and competence of the entity's people; management's philosophy and operating style; the way management assigns authority and responsibility, and organizes and develops its people and the attention and direction provided by a governing body. As the foundation, if the control environment of an organization is compromised, all internal control elements will face severe problems.

Risk Assessment

Every entity faces a variety of risks from external and internal sources that must be assessed. For risk assessment to function properly, objectives must be set and risk tolerance known. Risk assessment is the identification and analysis of relevant risks to achievement of the objectives, forming a basis for determining how the risks should be mitigated. Because conditions change, risk assessment must be a perpetual activity.

Control Activities

Control activities are those specific policies, procedures and tasks that help provide reasonable assurance that objectives will be met. They help ensure that necessary actions are taken to mitigate risks. Control activities occur throughout the organization, at all levels and in all functions. They include a range of activities as diverse as approvals, authorizations, verifications, reconciliations, reviews of operations, security of assets and segregation of duties.

Information and Communication

Information pertinent to the operation of an organization must be identified, captured and communicated in an effective form. Effective communication must occur in a broader sense as well, flowing down, across and up the organization. Employees must have a clear understanding of management expectations and management must hear and understand employees' concerns. The State's citizens must have access to necessary information. With modern communication means available, a state government entity has little reason not to communicate information properly.

Monitoring

Monitoring is a process that assesses and seeks to mitigate the risk that internal controls within the State will not provide reasonable assurance that operational, reporting and legal/regulatory objectives are met. Although external audits conducted by the Office of the Auditor do provide a monitoring function related to controls, primary monitoring must be a function internal to state government. Such internal monitoring can occur within the following formal activities:

- Internal Audit Activities
- Self-Assessment of Internal Control Questionnaires

Also important to the monitoring element are the procedures that are performed by a State entity that allow its management to attest to the accuracy of financial reporting information regularly submitted to DAGS. Monitoring must also occur on a less formal basis as a part of management's operation of government.

- Control Environment
- Risk Assessment
- Control Activities
- Information and Communication
- Monitoring

These components should be considered inextricably linked both with one another and with the definition of internal control. The objectives of a system of internal control cannot be achieved without the working of each element within the system. State government strives to achieve the internal control objectives of efficient and effective operations, sound financial reporting and compliance with laws and regulations. These five elements are the means of achieving reasonable assurance that those objectives will be met.

Reasonable Assurance

Internal control aims for reasonable assurance. Even a highly effective system of internal controls cannot guarantee that an organization will meet all objectives. Any system designed to strive for such a goal would consume many resources and inhibit delivery of government services. A sound system of internal control finds the balance between assurance and operations and offers a reasonable assurance that objectives will be met.

Responsibilities

Everyone in an organization has responsibility for internal control. Management must implement the system and set the "tone at the top" but all levels within an organization must take ownership of internal control. Responsibilities must be effectively communicated to all levels and support of the system of internal control must be considered a part of proper workplace performance. When necessary, understanding must be communicated through formal training methods.

Note: This Framework contains information adapted from the Committee of Sponsoring Organizations of the Treadway Commission's Internal Control – Integrated Framework, published in 1992.

Section III - Internal Control Standards

INTERNAL CONTROL STANDARDS

INTRODUCTION

These standards define the minimum level of quality acceptable for internal control systems and set the criteria for evaluation of both individual controls and entire systems. They apply to all operations and administrative functions (both manual and automated).

Standards are established for the following areas:

- General standards
- Specific standards
- Audit resolution standards.

General standards promote an atmosphere of strong internal control throughout all State departments and agencies (departments). They reflect the overall attitude of the state government leadership that strong internal controls are required in all departments. Specific standards provide more process level guidance, while the audit resolution standard requires departments to resolve audit findings and recommendations quickly and efficiently.

Following are further details regarding these standards:

GENERAL STANDARDS

Reasonable Assurance

Internal control systems are to provide reasonable assurance that management's objectives are accomplished. Also, the cost of internal control should not exceed the benefits achieved. Reasonable assurance means a satisfactory level of confidence considering the costs, benefits and risks. Department staff should use their best judgment in determining reasonable assurance.

In exercising that judgment, departments should:

- a) Identify:
 - Risks inherent in department operations,
 - Criteria for determining low, medium, and high risks,
 - An acceptable level of risk under varying circumstances.
- b) Assess the quantity and quality of risks.

Costs refer to the financial measure of resources consumed in accomplishing a specified purpose. Costs can also be nonfinancial such as a lost opportunity, a decline in service or low employee morale. A benefit is measured by the degree that the risk of failing to achieve a stated objective is reduced. Examples would be: (1) increasing the chance of detecting fraud, waste, abuse or error; (2) preventing an improper activity; or (3) increasing regulatory compliance.

Supportive Attitude

This standard requires that management and employees maintain and show a supportive attitude toward internal control at all times. Managers and employees are to be attentive to internal control matters. They need to take steps to promote the effectiveness of the control. Attitude affects the quality of performance and the quality of internal control.

A positive and supportive attitude must be initiated and encouraged by management. It must be a management priority. Positive attitudes are developed by management's commitment to a philosophy of strong control. This commitment requires good: (1) organizational structure; (2) personnel practices; (3) communication; (4) security; and (5) utilization of resources. In addition, accountability, monitoring, and general leadership are required. An example of management's support for good internal control is promoting the value of internal auditing. Management also proves commitment by being responsive to information developed through internal audits.

The department's organization provides its management with the overall framework for planning, directing, and controlling its operations. Good internal control requires clear separation of duties.

General leadership is critical to maintaining a positive and supportive attitude toward internal control. Adequate supervision, training, and motivation of employees in the area of internal control are important.

Competent Personnel

Managers and employees should have personal and professional integrity. They should be qualified to perform their assigned duties, as well as to understand the importance of ensuring sound internal controls.

The integrity of managers and their staff are influenced by many elements. For example, personnel should periodically be reminded of their obligations under the State's Code of Ethics.

Hiring and staffing decisions should consider the individual's education and experience. Once on the job, the individual should be given classroom and on-the-job training. Managers who have a good understanding of internal control are vital to effective control systems.

Counseling and performance appraisals are also important. Part of the appraisal should be based on determining that they support implementation and maintenance of internal control.

Control Objectives

Internal control objectives are defined or developed for each department's activity. They should be logical, applicable, and reasonably complete. This standard requires that objectives be tailored to a department's operations.

All operations of a department can be categorized into one or more categories called cycles. Cycles make up all specific activities (such as identifying, classifying, recording, and reporting information) required to process a transaction or event. Cycles should be compatible with a department's organization and responsibilities.

Financial cycles cover the traditional control areas concerned with revenues and expenditures, assets, and financial information. The questionnaire addresses the following financial cycles:

- The Financial Reporting Cycle includes the year-end accounting procedures and financial statement preparation. The cycle includes the recording of accruals and compilation of financial statement information.
- The Budget Reporting Cycle includes the establishment, revision, reporting and administration of the budgets as directed by the department and the Department of Budget and Finance.
- The Cash Receipts Cycle involves the preparation of receipts, deposits, and special reports for the funds received by a department. The cycle could also include petty cash transactions. A department may have more than one receipting area. If the process is different at the various areas, the variations should be indicated on the internal control questionnaire.
- The Accounts Receivable Cycle includes the recording, collection, billing and aging of accounts receivable. A department may have several accounts receivable systems. A separate internal control questionnaire should be completed for each accounts receivable cycle.
- The Purchasing/Accounts Payable Cycle records the purchase and payments for goods and services for all non-salary expenditure transactions. The cycle includes the recording of obligations, issuance of checks and the liquidation of encumbrances. There could be several different accounts payable systems within a department. A separate internal control questionnaire should be completed for each separate accounts payable and purchasing system.
- The Human Resource Cycle pertains to the preparation and maintenance of payroll and personnel records required by state and federal governmental agencies for employees within the department.
- The Inventory Cycle involves the receiving and maintenance of various inventory items within a department. The items may include supplies, uniforms, food or household items. The cycle would include the physical inventory of the items. A separate internal control questionnaire would be needed for each different inventory method.

- The Capital Assets Cycle should adequately document, control and account for the expenditure of state and federal funds for capital items. The capital assets cycle provides a history of capital items from purchase or installation to disposal. The fixed asset system includes automated and manual systems within the department.
- The Computer Security Cycle involves the existence of data logs, procedures for disaster control and recovery and authorization codes.
- The Investment Cycle comprises the acquisition, disposal, record keeping and monitoring of market values of securities held by the department.
- The Debt Cycle involves the processing and recording of debt. The cycle includes the issuance, retirement and redemption of bonds.
- The Major Financial Assistance Cycle for federal and state programs relates to the administration and financial management of contracts and grants awarded by federal and state programs. The internal control questionnaire for the major financial assistance cycle is divided into eleven sections including eligibility, types of service, and matching or level of effort. One questionnaire should be completed for each major grant or award.

Control Techniques

Internal control techniques are the means by which control objectives are achieved. Techniques include such things as policies, procedures, separation of duties, and physical arrangements. This standard requires that internal control techniques continually provide a high degree of assurance that the internal control objectives are being achieved.

To make sure the control objectives are being achieved; the techniques must be effective and efficient. To be effective, techniques should fulfill their intended purpose in actual application. They should provide the coverage and operation as intended. As for efficiency, techniques should be designed to derive maximum benefit with minimum effort. Techniques tested for effectiveness and efficiency should be those in actual operation and should be evaluated over time.

Continuous Monitoring

Department heads should set up and maintain a program of internal review that is designed to identify internal control weaknesses. Needed changes are to be implemented to correct any weaknesses.

SPECIFIC STANDARDS

Documentation

Internal control systems, as well as all transactions and other significant events should be clearly documented. Such documentation should be readily available for examination. This standard requires written evidence of a department's internal control objectives, techniques and accounting systems.

Documentation of internal control systems should include identification of the cycles and related objectives and techniques. It should appear in management directives, administrative policy, and accounting manuals. Documentation of transactions or other significant events should be complete and accurate. The transaction should be traced from its inception through its completion.

This standard requires that the documentation of internal control and transactions be purposeful and useful to managers. It should also fulfill the needs of the internal and external auditors or others involved in analyzing operations.

Recording of Transactions and Events

This standard requires that transactions and other significant events should be promptly recorded and properly classified. Transactions must be promptly recorded if information is to maintain its value to management in decision-making and in controlling operations.

This standard applies to:

- The entire process or life cycle of a transaction or event, including the initiation and authorization.
- Its final classification in summary records.

Execution of Transactions and Events

Transactions and other significant events must be authorized and executed only by persons acting within the scope of their authority. Such authorization deals with decisions to exchange, transfer, use, or commit resources for specified purposes and conditions. It is the principal means of assuring that only valid transactions and other events are entered.

Authorization should be clearly communicated to managers and employees. Documentation should include the specific conditions and terms under which authorizations are made. Conforming to the terms of this standard means employees are carrying out their assigned duties as set up by management.

Separation of Duties

It is necessary to reduce the risk of error, waste, or wrongful acts as well as the risk of such acts going undetected. This is achieved by making sure no one individual controls all key aspects of a transaction or event. Duties and responsibilities should be assigned to different individuals to be sure those effective checks and balances exist.

Key duties include the following: (1) authorizing, approving, and recording transactions, (2) issuing and receiving assets, (3) making payments, and (4) reviewing or auditing transactions. Collusion can reduce or destroy the effectiveness of this internal control standard.

Supervision

Qualified and continuous supervision should be provided to ensure that internal control objectives are achieved. This requires supervisors to review and approve the assigned work of their staff. It also requires that staff is provided with the necessary guidance and training to reduce errors, waste, and wrongful acts.

Assignment, review, and approval of a staff's work require that duties be clearly communicated to each staff member. Each staff member's work must be reviewed to the extent necessary. The work must be approved at critical points to be sure that work flows as intended.

Assignment, review, and approval of a staff member's work should result in the proper processing of transactions and events. This includes following approved procedures and requirements. Errors, misunderstandings, and improper practices must be detected and eliminated. Wrongful acts must be prevented from occurring or recurring.

Access to and Accountability for Assets

An individual is to be assigned custody, accountability, and maintenance for assets. Periodic comparison should be made of the assets with the records to determine proper accountability.

The basic concept behind restricting access to assets is to reduce the risk of unauthorized use or loss, and to help achieve management goals. Restricting access to assets depends upon the vulnerability of the assets and the perceived risk of loss. These two factors should be assessed periodically. For example, access to and accountability for documents, such as checks, can be achieved by:

- Locking them in a safe,
- Assigning a sequential number,
- Assigning custodial responsibility.

Assigning and maintaining accountability for assets involves directing and communicating responsibility to specific individuals within a department.

AUDIT RESOLUTION STANDARD

Managers should promptly resolve any weaknesses in the internal control structure as determined by their self-assessment as well as immediately resolving any audit findings. To do this, the following points must be considered:

- Findings and recommendations must be promptly evaluated.

- Determine the proper actions in response to audit findings and recommendations.
- Resolve all weaknesses in internal control brought to management's attention.

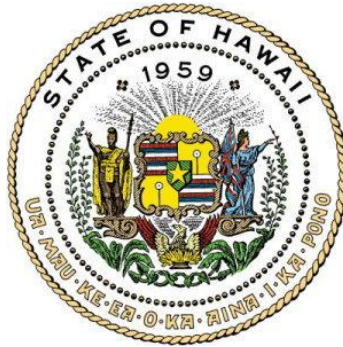
This standard requires managers to take prompt, responsive action on all findings and recommendations to correct identified deficiencies. Where audit findings identify opportunities for improvement rather than identify deficiencies, responsive actions are those that produce improvements.

The resolution process begins when the results of an audit are reported to management. It is completed only after action has been taken to complete one of the following steps:

- Identified deficiencies are corrected.
- Improvements are produced.
- Determined that after achieving a compliant status the cost of implementing the recommendations would outweigh the intended benefits.

Note: These standards contain information adapted from the North Carolina Internal Control Standards, published in 2009.

Section IV - Self-Assessment of Internal
Controls Questionnaire



**SELF-ASSESSMENT OF
INTERNAL CONTROLS
QUESTIONNAIRE**

Department _____

Fiscal Year Ending _____

STATE OF HAWAII
 Self-Assessment of Internal Controls for
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SELF ASSESSMENT OF INTERNAL CONTROL

General Elements of Internal Control

Control Environment

Department _____

Fiscal Year Ending _____

		Yes	No	N/A
	A. Integrity and Ethical Values			
1.	Are there written policies and internal operating procedures to identify and react to changes that can have an adverse effect on the department? Is it approved by the governing body or top management?			
2.	Does a written Code of Conduct/Ethics (Code) exist and does it apply to all employees or at least to individuals (internally and externally) who are in a position to influence the financial statements (including the Governor, Finance Director, State Comptroller or persons performing similar duties)?			
3.	Has the Code been made available to all employees with financial responsibilities?			
4.	Is the Code communicated prominently throughout the department (i.e. department website, posters, intranet, e-mail, etc)?			
5.	Is the Code periodically updated and reviewed (i.e. the code of conduct reviewed on an annual basis)? (Critical Control)			
6.	Does the department have an anonymous and confidential Whistleblower policy for communicating and receiving information regarding fraud, errors in financial reporting and misrepresentation or false statements made by management? (Critical Control)			
7.	Have transactions been executed in accordance with the Code and the approved written policies and procedures?			
	B. Commitment to Competence			
8.	Are responsibilities clearly defined in writing and communicated?			
9.	Does management understand, analyze and document the knowledge and skills required to accomplish tasks? (Critical Control)			

		Yes	No	N/A
10.	Are job responsibilities formally documented and reviewed annually by management (CFO) and other individuals in position of significant influence over financial reporting?			
11.	Does management get involved in or provide for training?			
	C. Management's Philosophy and Operating Style			
12.	Does management use budget, spending plans, etc. to review the department's performance?			
13.	Has management established overall objectives in the form of a mission statement, goals or other written operating statement(s)?			
14.	Have objectives been clearly communicated to all employees?			
15.	Are objectives established for key areas (i.e. operations, financial reporting, compliance, etc.)?			
16.	Are policies and procedures consistent with statutory authority?			
17.	Are operations performed in accordance with statutes governing the department?			
18.	Is the internal control structure supervised and reviewed by management to determine if it is operation as intended?			
19.	Are the budget system and the planning process integrated?			
20.	Does senior management use budget, spending plans, etc. to review financial results and performance measures at least once a quarter? (Critical Control)			
21.	Are unusual variances between budget and actual examined?			
22.	Does the department compare its actual performance with its goals and objectives?			
23.	Are principal accounting records and accounting employees at all locations under the supervision of the principal accounting office?			
24.	Does the department have a functioning internal audit staff to review the operations of the department?			
25.	Does the internal audit staff report to an official independent of the operations under review? (Critical Control)			
26.	Does management follow-up on audit findings?			

		Yes	No	N/A
27.	Does management actively follow-up on complaints from customers/clients?			
	D. Organizational Structure			
28.	Are there written policies and procedures for all major areas of the department? (Critical Control)			
29.	Are written policies and procedures for all major areas periodically reviewed and approved by senior management? (Critical Control)			
30.	Are written policies and procedures readily available for use by all employees? (Critical Control)			
31.	Is there an organizational chart that clearly defines the lines of management authority and responsibility? (Critical Control)			
32.	Is the organization chart current and accurate?			
33.	On at least an annual basis, does senior management review and update the organizational structure of the department?			
34.	Are all the department's operations: <ul style="list-style-type: none"> • Centralized or • Decentralized? 			
35.	If decentralized, is monitoring of the areas adequate?			
	E. Assignment of Authority and Responsibility			
36.	Are specific limits established for certain types of transactions and delegations clearly communicated and understood by employees within the department?			
37.	Have specific lines of authority and responsibility been established to ensure compliance with Federal and State laws and regulations?			
38.	Does management understand the concept and importance of internal controls, including division of responsibility?			
39.	Is the internal control structure supervised and reviewed by management to determine if it is operating as intended? (Critical Control)			
40.	Are responsibilities segregated so that no single employee controls all phases of a transaction? (Critical Control)			

		Yes	No	N/A
41.	Are there adequate policies and procedures for authorization and approval of transactions at the appropriate level?			
42.	Are sufficient training opportunities to improve competency and update employees on new policies and procedures available?			
43.	If known areas of knowledge are limited, has help been enlisted from peers, auditors or outside consultants to identify alternatives and suggest solutions?			
44.	Have managers been provided with clear goals and direction from the governing body or top management?			
45.	Are external audits performed on a periodic basis?			
46.	Is information (i.e. findings, recommendations, etc.) provided by external auditors considered and acted upon in a timely manner?			
	F. Human Resource Policies and Practices			
47.	Does management ensure compliance with the State's and/or department's personnel policies and procedures concerning hiring, evaluating, promoting, compensating, and terminating employees? (Critical Control)			
48.	Are job descriptions (and other documents that define key position duties/requirements) current, accurate and understood?			
49.	Are employees cross-trained to ensure the uninterrupted performance of personnel functions?			

SELF ASSESSMENT OF INTERNAL CONTROL

General Elements of Internal Control

Risk Assessment

Department _____

Fiscal Year Ending _____

		Yes	No	N/A
1.	<p>Does the department have written polices and internal operating procedures in place to anticipate, identify, and react to risks presented by changes in:</p> <ul style="list-style-type: none"> a) government, b) economic, c) public service, d) regulatory, e) operating, or f) other conditions <p>that can affect the achievement of the department's goals and objectives? (Critical Control)</p>			
2.	<p>Is there a formal or informal mission or value statement established and communicated throughout the department?</p>			
3.	<p>Please identify the three most significant risks to the department:</p> <p>_____</p> <p>_____</p> <p>_____</p>			
4.	<p>Is risk identification incorporated into management's:</p> <ul style="list-style-type: none"> a) short-term forecasting and b) long-term forecasting and c) strategic planning? 			

		Yes	No	N/A
5.	Are objectives periodically measured against actual results?			
6.	Has management analyzed the potential monetary impact associated with: a) financial and b) operational risks?			
7.	Are external resources consulted as needed to assess and address risk?			

SELF ASSESSMENT OF INTERNAL CONTROL

Budget and Financial Cycles

Financial Reporting Cycle

Department _____

Fiscal Year Ending _____

		Yes	No	N/A
	A. Control Activities / Information and Communication:			
1.	Is there a formal plan under which responsibilities for the year end closing of the financial statements are clearly defined including target dates for completing tasks?			
2.	Do written accounting policies and procedures exist and are they properly available and communicated to all applicable personnel?			
3.	Is the general ledger chart of accounts properly maintained by authorized personnel?			
4.	Is a competent individual assigned the responsibility to supervise the conversion from cash basis to modified accrual basis accounting for the year-end financial reporting?			
5.	Does the department maintain the trial balances, adjustments and supporting work papers to support the process of closing the general ledger and preparing financial statements and financial statement note disclosures?			
6.	Are balances in the general ledger periodically substantiated, evaluated, reviewed, or supported by account reconciliations?			
7.	Are the reconciliations of subsidiary ledgers to control accounts prepared and reviewed by someone other than the preparer on a monthly basis? (Critical Control)			
8.	Are revenue accounts reviewed to identify any deferred revenue?			
9.	Are fund types reviewed to verify fund classifications?			
10.	Are journal entries prepared and reviewed by someone other than the preparer? (Critical Control)			
11.	Is the supporting documentation attached to the journal entries and are they secure in a safe location?			

		Yes	No	N/A
12.	Does the department maintain and follow procedures for record filing, retention, and disposition?			
13.	Are the operating units required to certify that information submitted for the preparation of the financial statements is accurate?			
14.	Are the financial statements and note disclosures agreed to the underlying supporting documentation (i.e. general ledger, reconciliations, journal entries, CAFR worksheets)? (Critical Control)			
15.	Are the note disclosures agreed to the financial statements? (Critical Control)			
16.	Are the financial statements and note disclosures reviewed and approved by knowledgeable staff before being transmitted to the State Controller? (Critical Control)			
	B. Monitoring:			
17.	Has management identified accounts, such as those requiring complex calculations or accounting estimates which are especially at risk of misstatement and developed policies and procedures to address those risks timely? (Critical Control)			
18.	Does management review accounting estimates? (depreciation, allowance for doubtful accounts, etc.)?			
19.	Has management instituted a process to identify and address changes in accounting and reporting pronouncements?			
20.	Are the financial statements and note disclosures updated to reflect any new GASB pronouncements or any other significant standards?			

SELF ASSESSMENT OF INTERNAL CONTROLS

Budget and Financial Cycles

Budget Reporting Cycle

Department _____

Fiscal Year Ending _____

		Yes	No	N/A
	A. Control Activities/Information and Communication			
1.	Are the following budget responsibilities performed by different people: a. Preparation and approval of the budget submitted to the legislature? b. Implementation and approval of the budget submitted to the legislature, including budget revisions? c. Recording budget revisions in the general ledger and the approval or implementation functions?			
2.	Have procedures been adopted and communicated establishing authority and responsibility for transfers (budget revisions) between budget categories?			
3.	Are budgetary increases or decreases (as they relate to programs), that are mandated by the legislature communicated to operating departments? Is this done in a timely manner?			
4.	Is an encumbrance system used to ensure that actual expenditures do not exceed budgeted amounts?			
5.	Are actual expenditures and revenues compared to budgeted amounts monthly and on a timely basis? (Critical Control)			
6.	Are budget revisions approved by an authorized person before being entered into the accounting system? (Critical Control)			
7.	Are restricted revenues segregated to ensure that the revenues are used only for restricted purposes?			

		Yes	No	N/A
	B. Monitoring			
8.	Does the accounting department or budget officer submit approval as to availability of funds before the issuance of a purchase order or expenditure commitment?			
9.	Are over expenditures or under realized revenues discussed with departmental personnel and are there explanations for significant variation from budgeted amounts? (Critical Control)			

SELF ASSESSMENT OF INTERNAL CONTROL

Budget and Financial Cycles

Cash Receipts Cycle

Department _____

Fiscal Year Ending _____

		Yes	No	N/A
	A. Control Activities / Information and Communication:			
1.	Is there a formal organizational chart defining responsibilities for processing and recording cash transactions?			
2.	Do written procedures exist regarding the collection of funds, timely deposit, and recording of funds in the accounting records at each cash receipting location?			
3.	Is a restrictive endorsement placed on incoming checks at the earliest point of receipting?			
4.	Do deposit slips have an official depository bank number preprinted on the document?			
5.	If payments are made in person (seminars, workshops, etc.), are manual receipts used and accounted for and balanced to the deposits? (Critical Control)			
6.	Are pre-numbered receipts issued for all cash collections and are numbers of all receipts accounted for?			
7.	Is a system of pre-numbered receipts with adequately controlled copies in use wherever practicable?			
8.	Are cash receipts controlled at the earliest point of receipt and kept physically secured at all times?			
9.	Are cash registers used in locations making sales of goods?			
10.	Are "audit tapes" or similar reports retained for cash registers?			
11.	Are logs of receipt book issuances maintained and reconciled? (Critical Control)			
12.	Are unused portions of receipt books required to be returned to the issuance location?			

		Yes	No	N/A
13.	<p>Are the following responsibilities performed by different people:</p> <p>a. Custodian of the funds, reconciliation of the funds and access to cash receipts? (Critical Control)</p> <p>b. Filling out the disbursement receipts, disbursement, and reconciliation? (Critical Control)</p> <p>c. Making a deposit, billing, making General Ledger entries and collecting? (Critical Control)</p> <p>d. Collecting cash, balancing cash, closing cash registers, making a deposit, maintaining Accounts Receivable records and making General Ledger entries? (Critical Control)</p> <p>e. Collecting of licenses, fines, and inspections (etc.) and making General Ledger entries? (Critical Control)</p> <p>f. Collecting cash and reconciling the bank account? (Critical Control)</p> <p>g. Cash registers reconciled daily by a person not involved in cash receipting? (Critical Control)</p> <p>h. Preparation of the deposit and verifying the validated bank deposit? (Critical Control)</p>			
14.	Is a mail receipts log maintained for mail receipts?			
15.	<p>Is the mail receipts log reconciled to:</p> <p>a. The cash receipts journal?</p> <p>b. Validated deposit slips?</p>			
16.	Are receipts deposited daily or in a timely manner?			
17.	Are the authorization records of the depository banks up to date?			
18.	Is there adequate physical security surrounding cashiering areas?			
19.	Are employees prohibited from cashing personal checks at cashiering areas?			
20.	Is cash receiving centralized to the maximum extent possible?			
21.	Are all employees handling cash receipts adequately bonded?			

		Yes	No	N/A
22.	Are responsibilities for preparing and approving bank account reconciliations and investigation of unusual reconciling items segregated from those for other cash receipts or disbursement functions? (Critical Control)			
23.	"Not sufficient funds" checks delivered to someone independent of those processing and recording cash receipts?			
24.	Are current year receipts compared to those for prior years and budgeted receipts, and are explanations of variations reviewed by senior officials?			
25.	For cash disbursements, are there controls over warrant, sight draft, or check-signing machines, as to signature plates and usage?			
26.	Are there controls to ensure each cash disbursement is properly vouchered and approved by the proper authorities before the disbursement occurs?			
27.	Are there controls over the supply of unused and voided warrants, sight drafts, or checks?			
28.	Is the responsibility for processing a credit card payment segregated from the processing of a void?			
29.	Are total cash receipts (cash, credit cards, wires) reconciled on a daily basis to the total dollar value sold? (For example, total dollar amount reconciled to number of licenses issued.) (Critical Control)			
30.	When funds are not deposited by the end of the day are the funds secured (safe) overnight until the next day?			
31.	Are petty cash/change funds at the minimum effective amount?			
32.	Are all petty cash funds maintained on an imprest basis?			
33.	Are unauthorized advances from petty cash funds to employees prohibited?			
34.	Are all petty cash checks cashed promptly at the banks?			
35.	Are petty cash vouchers or bills required for all petty cash disbursements and are they: a. Pre-numbered? b. Signed by persons receiving cash?			

		Yes	No	N/A
	c. Approved in writing by department head or other responsible official? d. Properly supported by vendor receipts? e. Typewritten or written in ink to preclude alterations?			
36.	Are petty cash vouchers effectively canceled at the time of reimbursement to the fund by an individual other than the custodian?			
37.	Is petty cash kept in a locked place, where only the custodian has access?			
38.	Are petty cash funds segregated from other cash?			
	B. Monitoring			
39.	Is effective control maintained over receipts of gifts, grants, donations, etc. and is a follow-up made by a responsible official to see that they have been classified and recorded properly?			
40.	Are funds periodically counted by a person other than the custodian at unannounced times?			
41.	Does management review and approve bank reconciliations on a monthly basis? (Critical Control)			
42.	Are policies documented for changes in a new system or method for accounting for cash?			
43.	Are timely corrective actions taken in cash discrepancies? (Critical Control)			
44.	If you accept credit cards for payment, do you have documentation to reflect that your agency is PCI (Payment Card Industry) compliant?			

SELF ASSESSMENT OF INTERNAL CONTROL

Budget and Financial Cycles

Accounts Receivable Cycle

Department _____

Fiscal Year Ending _____

		Yes	No	N/A
	A. Control Activities / Information and Communications			
1.	Is there a formal organizational chart defining responsibilities for preparing bills, recording payments, collecting amounts due and following up of on unpaid accounts?			
2.	Does the department have written credit and collection policies that adequately address relevant risks?			
3.	Does the department have written credit and collection policies that meet the requirements the policies and procedures established by DAGS and the Attorney General?			
4.	Do procedures exist to prepare and send billings as soon after the sale of goods or performance of service as possible, but at least within the month?			
5.	Have procedures been documented to collect monies due within the established payment terms?			
6.	Have procedures been adopted to notify the Attorney General's office and follow through the collection after 90 days?			
7.	Does the department participate in the Set off Debt Program?			
8.	Has an allowance account been established for doubtful accounts to reflect the amount of the department's receivables that management estimates will be uncollectible?			
9.	Are accounts written off the department's financial accounting records when all collection procedures have been exhausted without success and reason adequately documented?			
10.	Do write-offs or adjustments have proper authorizations? (Critical Control)			

		Yes	No	N/A
11.	Do procedures exist to prevent the interception or alteration by unauthorized persons of billings or statements after preparation but before they are mailed?			
12.	Does the department have established policies and procedures concerning refunds of overpayments, issuance of billing adjustments?			
13.	Are all services or goods provided to individuals or other governmental units billed when goods are provided or services rendered?			
14.	Are payment terms 30 days after billing, unless contractual requirements specify otherwise?			
15.	Are subsidiary accounts receivable and notes receivable records maintained and reconciled at least monthly with the general ledger control account? (Critical Control)			
16.	Are the following amounts properly recorded: a. Amounts due from local governments? b. Amounts due from federal agencies? c. Amounts due from other departments/divisions/agencies? d. Amounts due from other funds? e. Interest Receivable? f. Trade Receivables? g. Taxes Receivable?			
17.	Does the department charge interest on a past-due account receivable from the date the account receivable was due until it is paid?			
18.	Are individual receivable records posted only from authorized documents?			
19.	Are remittance advices and billings retained to support entries to accounts receivable records?			
20.	Are databases and, where appropriate, usage records accurately maintained to ensure that amounts due are billed correctly?			

		Yes	No	N/A
21.	Are charges for goods or services based on authorized rates and approved by the appropriate State/Federal authorities?			
22.	Are statements of account balances mailed at least once a month?			
23.	Is the accounting department notified directly and in a timely manner of billings and collection?			
24.	Are collections on accounts receivable deposited daily, rather than held for posting to detail records?			
25.	<p>To aid in collection, does the department obtain the following minimum prescribed information on prospective debtors:</p> <ul style="list-style-type: none"> a. Full name and any previous name(s) if applicable? b. Home and office address(es) for the past two years? c. Telephone numbers for home and place of employment? d. Federal Employer Identification Number? e. Social Security Number for individuals or sole proprietorships contracting with the State? f. For other individuals, Social Security Number and/or Driver's License Number? g. Date of Birth? h. Place and type of employment and employer's address, and previous employer if less than two years in present job? i. A credit bureau report may be required depending on the amount of the potential receivable and the guidelines of the agency or institution? 			
26.	<p>Are the following duties performed by different people:</p> <ul style="list-style-type: none"> a. Billing and collecting of accounts receivable funds? (Critical Control) b. Maintaining detail accounts receivable records, collecting, and general ledger posting? (Critical Control) c. Writing off or adjusting to accounts receivable and the maintenance of accounts receivable records? (Critical Control) 			

		Yes	No	N/A
	d. Investigating disputes with billing amounts and the maintenance of accounts receivable records? (Critical Control)			
	e. Reconciling, investigating reconciling items and posting detail accounts receivable records? (Critical Control)			
27.	Are all collections on accounts receivable posted to individual receivable accounts?			
28.	Is access to the accounts receivable accounting system limited only to authorized individuals? (Critical Control)			
	B. Monitoring			
29.	Are corrections and adjustments to cash receipts documented and approved by management? (Critical Control)			
30.	Are all non-cash credits, such as credit memos, allowances, and bad debts properly authorized? (Critical Control)			
31.	Are there controls to ensure that individuals with delinquent accounts are not receiving additional credit?			
32.	Is an aging schedule prepared monthly and reviewed by management? (Critical Control)			
33.	Are delinquent accounts followed up?			
34.	Are all legal remedies followed to collect write-offs or uncollectible accounts with the Attorney General?			
35.	Are rates reviewed at least annually for billed services or goods?			
36.	Are accounts reviewed for propriety of transactions and balances by someone independent of cash and accounts receivable accounting? (Critical Control)			

SELF ASSESSMENT OF INTERNAL CONTROL

Budget and Financial Cycles

Purchasing/Accounts Payable Cycle

Department _____

Fiscal Year Ending _____

		Yes	No	N/A
	A. Control Activities / Information and Communications			
1.	Is there a formal organizational chart defining the responsibilities of preparing, recording, approving and following up on all purchases and accounts payable functions?			
2.	Are purchases of goods and services initiated by properly authorized requisitions bearing the approval of officials designated to authorize requisitions?			
3.	Do procedures exist for processing invoices not involving materials or supplies (for example, lease or rental payments, and utility bills)?			
4.	Do procedures exist ensuring accurate account distribution of all entries resulting from invoice processing?			
5.	Do procedures exist for disbursement approval and check-signing?			
6.	Has the department established procedures to ensure that all voided checks are properly accounted for and effectively canceled?			
7.	Is a written policy established to ensure that the best possible price is obtained for purchases not made from state contract or subject to competitive bidding requirements?			
8.	If construction contracts are awarded, are bid and performance bonds as well as retainage required to assure performance?			
9.	Are procedures established to identify, before purchase orders are issued, cost and expenditures not allowable under grant federal/state programs?			
10.	Do invoice processing procedures provide for: a. Obtaining copies of requisitions, purchase orders and receiving reports as applicable?			

		Yes	No	N/A
	<p>b. Comparison of invoice quantities, prices, and terms with those indicated on the purchase order?</p> <p>c. Comparison of invoice quantities with those indicated on the receiving reports?</p> <p>d. As appropriate, checking accuracy of calculations?</p> <p>e. Alteration/mutilation of extra copies of invoices to prevent duplicate payments?</p> <p>f. All file copies of invoices are stamped paid to prevent duplicate payments?</p>			
11.	Are purchase orders prenumbered and issued in sequence?			
12.	Are purchase orders or contracts required to be approved by appropriately designated officials before issuance? (Critical Control)			
13.	Are changes to contracts or purchase orders subject to the same controls and approvals as the original agreement? (Critical Control)			
14.	Is an adequate record of open purchase orders and agreements maintained?			
15.	Are payments made as close to the discount date as possible, and if applicable, that exemptions from sales, federal excise, and other taxes are claimed?			
16.	Is splitting orders to avoid higher levels of approval prohibited?			
17.	Has an effective small purchase or emergency purchase policy been documented and implemented?			
18.	If a receiving department is not used, do adequate procedures exist to ensure that goods for which payment is to be made have been verified and inspected by someone other than the individual approving payment?			
19.	Are goods received accurately counted and examined to see that they meet quality standards?			
20.	Are receiving reports prepared for all purchased goods?			
21.	Are copies of receiving reports sent directly to purchasing or accounting?			

		Yes	No	N/A
22.	If an invoice is received from a supplier not previously dealt with, are steps taken to ascertain that the supplier actually exists?			
23.	Are all invoices received from vendors in a central location, such as the accounting department?			
24.	Are there steps in the processing procedures to prevent or detect duplicate payments?			
25.	Are payments made only on the basis of original invoices and to suppliers identified on supporting documentation?			
26.	Are the accounting and purchasing departments promptly notified of returned purchases, and are such purchases correlated with vendor credit advices?			
27.	Is proper control maintained over vendor credit memos?			
28.	Are signed checks delivered directly to the mail room, making them inaccessible to persons who requested, prepared, authorized or recorded them?			
29.	Are monthly reconciliations performed on the following: a. All petty cash accounts? b. All bank accounts? c. All subsidiary accounts to the general ledger accounts?			
30.	Are the following duties performed by different people: a. Requisitioning, purchasing, and receiving functions and the invoice processing, accounts payable, and general ledger functions? b. Purchasing, requisitioning and receiving? c. Invoice processing and making entries to the general ledger? d. Preparation of cash disbursements, approval, and entries to the general ledger? e. Making detail cash disbursement entries and entries to the general ledger?			
31.	Are disbursements approved for payment only by properly designated officials? (Critical Control)			

		Yes	No	N/A
32.	Are travel expenses for out-of-state, out-of-country, and excess allowances approved in advance?			
33.	Are invoices (vouchers) reviewed for accuracy and completeness of supporting documents and properly approved?			
34.	Is the individual responsible for approval or check-signing furnished with invoices and supporting data to be reviewed prior to approval or check-signing? (Critical Control)			
35.	Are adjustments of recorded accounts payable or other liabilities properly approved? (Critical Control)			
36.	Is check signing limited to only authorized personnel?			
37.	Are unused checks adequately controlled and safeguarded?			
38.	Is it prohibited to sign blank checks in advance?			
39.	Is it prohibited to make checks out to the order of "cash"?			
40.	If facsimile signatures are used, are the signature plates adequately controlled and separated physically from blank checks?			
41.	Are signature plates only under the signer's control used and does that person or an appropriate designee record machine readings to ascertain that all checks signed are properly accounted for?			
42.	Are original invoices and supporting documents marked to indicate that payment has been made?			
	B. Monitoring			
43.	Are transfers or loans between funds approved by management and allowable under applicable law?			
44.	Before commitment, are funds not obligated, but remaining in the budget verified by the accounting or budget department as sufficient to meet the proposed expenditure?			
45.	Is a government representative or architect required to inspect construction projects before approval of payment?			
46.	Are requests for progress payments under long-term contracts related to contractors' efforts and are they formally approved by a designated contract administrator/officer with formal approval authority? (Critical Control)			

		Yes	No	N/A
47.	Is the coding of charges in the accounting department reviewed by a person competent to pass on the propriety of the distribution?			
48.	Are debit balances in accounts payable and other liabilities reviewed and researched?			
49.	Are reasonable limits set on amounts that can be paid by facsimile signatures?			
50.	Are all records, checks and supporting documents retained according to the applicable (state or federal) record retention policy?			
51.	Does the accounting department record and follow up on partial deliveries?			
52.	Are P-card purchases reconciled monthly by someone other than the card holder? (Critical Control)			
53.	Are all prescribed statewide policies and procedures regarding the use of P-cards followed?			
54.	Are P-card transactions audited on a periodic basis?			

SELF ASSESSMENT OF INTERNAL CONTROL

Budget and Financial Cycles

Human Resources Cycle

Department _____

Fiscal Year Ending _____

		Yes	No	N/A
	A. Control Activities / Information and Communications			
1.	Is there a formal organizational chart defining the responsibilities of processing, recording, approval and distribution of payroll and of personnel activities?			
2.	Are department personnel policies (those not established by the Department of Human Resources Development) in writing?			
3.	Are managers and employees held accountable for satisfactory completion of performance elements?			
4.	Does each supervisor or manager have a copy or access to a copy of the policies and procedures manual?			
5.	Do all supervisors and managers have at least a working knowledge of the State's personnel policies and procedures?			
6.	Has management established backup plans for sudden or significant changes in personnel?			
7.	Are supervisors readily available to help personnel with non-routine problems?			
8.	Is nepotism or conflict of interest in employment prohibited?			
9.	Are personnel files maintained for all employees?			
10.	Is access to payroll/personnel files limited to authorized individuals?			
11.	Are approved notices of additions, separations, and changes in salaries, wages, and deductions reported to the payroll processing section according to the payroll scheduled cut-off date? (Critical Control)			

		Yes	No	N/A
12.	Are terminated employees interviewed as a physical check on departures and as a final review of the termination settlement to ensure that all keys, equipment, credit cards, etc. are returned by the terminating employee? (Critical Control)			
13.	Are completed payroll transmittals reviewed and approved by a responsible official before check processing? (Critical Control)			
14.	Are payroll registers reconciled to the payroll accounts in the general ledger by a knowledgeable person not otherwise involved in payroll processing? (Critical Control)			
15.	Are individual employee time and attendance records: <ul style="list-style-type: none"> a. Prepared and signed by each employee for each pay period? (Critical Control) b. Sufficiently detailed to show time charged properly? (Critical Control) c. Reviewed and signed by each employee's supervisor? (Critical Control) d. Reconciled with centralized time and attendance records? (Critical Control) 			
16.	Are the following duties performed by different people: <ul style="list-style-type: none"> a. Processing personnel action forms and processing payrolls? b. Supervising and timekeeping, payroll processing, disbursing, and making general ledger entries? c. Personnel distribution (if applicable) and: <ul style="list-style-type: none"> 1) Hiring and firing employees? 2) Approving time reports? 3) Payroll preparation? d. Recording the payroll in the general ledger and the payroll processing function? 			
17.	Are hours worked, overtime hours, compensatory time, and other special benefits (on-call, shift premium) reviewed and approved by the employee's supervisor? (Critical Control)			

		Yes	No	N/A
18.	Is a policy established concerning overdrawn vacation or sick leave?			
19.	Are vacation and sick leave approved by supervisors?			
20.	Are appropriate time records maintained for all leave?			
21.	Is overdrawn vacation or sick leave deducted when calculating final compensation upon termination?			
22.	Are individual employee leave records reconciled, at least annually, to appropriate records maintained for accumulated employee benefits (vacation, sick leave, etc.)? (Critical Control)			
23.	Do the internal auditors meet the minimum qualifications for the positions they hold?			
24.	Are external audits performed on a periodic basis?			
	B. Monitoring			
25.	Are comparisons of gross pay of current to prior period payrolls reviewed for reasonableness by a knowledgeable person not otherwise involved in payroll processing? (Critical Control)			
26.	Are unclaimed payroll checks returned to a custodian independent of the payroll department?			
27.	Are background checks performed on individuals hired for sensitive positions?			
28.	Is information on employment applications verified and are references contacted?			
29.	Are all employees given a performance evaluation?			
30.	Does the department have separate payroll and personnel offices?			

SELF ASSESSMENT OF INTERNAL CONTROL

Budget and Financial Cycles

Inventory Cycle

Department _____

Fiscal Year Ending _____

		Yes	No	N/A
	A. Control Activities / Information and Communications			
1.	Is there a formal organizational chart defining the responsibilities of ordering, accepting, approving, processing and recording of the inventory?			
2.	Are policies established to ensure that inventories are not stockpiled or to prevent over-ordering?			
3.	Are policies established to ensure that obsolete and inactive items in inventory are sent to State Surplus Property?			
4.	Are steps documented to ensure that goods received are accurately counted?			
5.	Does the department maintain perpetual inventory records and are all inventory items put on the perpetual inventory system? (Critical Control)			
6.	When issuing inventory, is the proper fund, purpose, and object charged in the general ledger?			
7.	Does the person receiving the goods sign the requisition as evidence of receipt?			
8.	Are the approved and completed requisitions kept on file?			
9.	Upon receipt of goods, does the signed receiving report go to the accounting office?			
10.	Are entries to perpetual inventory records made timely upon the receipt of goods?			
11.	Are receiving reports used to record purchases to the perpetual inventory records? (Critical Control)			

		Yes	No	N/A
12.	<p>Are the following duties performed by different people:</p> <p>a. Receiving and issuing inventory and the operational duties? (Critical Control)</p> <p>b. Receiving and issuing of inventory and taking the physical inventory? (Critical Control)</p> <p>c. Receiving and issuing of inventory and the approving of expenditures, recording transactions in the general ledger, and reconciliation of subsidiary records to control accounts? (Critical Control)</p>			
13.	Is a definite responsibility designated for each inventory type?			
14.	Are work orders or requisitions required to be approved by appropriately designated officials as a basis of issuing inventories? (Critical Control)			
15.	Is there adequate physical security surrounding inventories?			
16.	Is physical access to inventories restricted to authorized personnel? (Critical Control)			
17.	Is there appropriate insurance coverage for significant inventories?			
18.	Are all employees responsible for inventories adequately bonded?			
19.	Are written instructions given and explained to all personnel involved in the physical count of the inventory?			
20.	<p>Are physical Inventories:</p> <p>a. supervised by someone independent of the custodial or record keeping functions? (Critical Control)</p> <p>b. made by or tested by employees independent of the department being inventoried? (Critical Control)</p> <p>c. recorded on permanent inventory count sheets? (Critical Control)</p> <p>d. re-recorded on count sheets signed and dated by the person supervising the count? (Critical Control)</p> <p>e. planned to provide provisions for cut-off of receipts and issues? (Critical Control)</p> <p>f. reflected in the perpetual records based on the actual inventory quantities? (Critical Control)</p>			

		Yes	No	N/A
21.	Are prenumbered tags used during the physical inventories count?			
22.	Is there a proper cut-off of receipts and issues from inventory at year end?			
23.	Is access to the perpetual inventory records limited to authorized individuals?			
24.	Are adjustments to inventory records approved by a properly designated official? (Critical Control)			
	B. Monitoring			
25.	Is a physical inventory taken at least annually? (Critical Control)			
26.	Are perpetual inventory balances reconciled against the general ledger control accounts at least annually? (Critical Control)			
27.	Does management review the above reconciliations at year-end? (Critical Control)			
28.	Does management assess inventory policies and procedures periodically?			
29.	Are deviations of reports followed up by management in a timely manner?			
30.	Does management reassess inventory policies and procedures periodically?			

SELF ASSESSMENT OF INTERNAL CONTROL

Budget and Financial Cycles

Capital Assets Cycle

Department _____

Fiscal Year Ending _____

		Yes	No	N/A
	A. Control Activities / Information and Communications			
1.	Is there a formal organizational chart defining the responsibilities of purchasing, receiving, recording, approving and performing the inventory?			
2.	Are there formal written procedures for performing a physical inventory?			
3.	Is a capitalization policy established which is consistent with Purchase and Contract requirements and Federal rules and regulations?			
4.	Are fixed asset records maintained that adequately classify and identify individual items?			
	Are assets believed to be missing, stolen or vandalized reported to the appropriate authorities?			
5.	Are the fixed asset system and control accounts reconciled monthly? (Critical Control)			
6.	Are construction records adequate to accumulate costs associated with constructed capital assets including force (in-house) labor and materials obtained from inventory?			
7.	Is the individual responsible for capital assets notified when: a. assets are received? b. assets are donated? c. asset location changes are made? d. assets are transferred to State Surplus Property? e. assets are sold?			

		Yes	No	N/A
	f. assets are stolen, vandalized or missing? g. assets are reassigned to a different organizational agency or to another agency?			
8.	Are gains or losses properly recognized from disposals of capital assets in proprietary fund types?			
9.	Are capital assets tagged when procured?			
10.	Are the capital asset subsidiary accounts reconciled to the capital asset control accounts monthly? (Critical Control)			
11.	Are property records reconciled to property accounts at least annually? (Critical Control)			
12.	Is the beginning balances, additions, disposals and ending balances reflected in the note disclosures reconciled to the fixed asset system? (Critical Control)			
13.	Are capital asset additions properly valued? a. Is the total purchase price, less discount and any expenditure required to place asset in its intended state of operation the amount capitalized? b. Does the recorded asset cost of land purchases include: purchase price, legal and title fees, surveying fees, appraisal and negotiation fees, damage payments, and site preparation costs? c. Does the recorded asset cost of building include: purchase price, contract price or job order costs plus any other expenditure necessary to put a building or structure into its intended state of operation, including professional fees, damage claims, cost of fixtures, insurance premiums, interest, and related costs incurred during the period of construction? 1. Are maintenance costs expensed rather than capitalized?			
14.	Are the following duties performed by different people: a. Custodian of the capital assets and taking the annual inventory? (Critical Control) b. Reconciliation of the Fixed Asset System with the control accounts and making entries in the Fixed Asset System? (Critical Control)			

		Yes	No	N/A
	c. Custodian of the capital assets and tagging? (Critical Control) d. Custodian of the capital assets and investigating the missing capital assets? (Critical Control) e. Custodian of the capital assets, making entries in the Fixed Asset System and making entries in the general ledger? (Critical Control)			
15.	Are all asset purchases and receipts approved by a designated person with proper authority? (Critical Control)			
16.	Are all disposals of property approved by a designated person with proper authority? (Critical Control)			
17.	If other than the Statewide capitalization threshold, has agency management chosen and documented the threshold level in an Internal Policy/Procedure Manual?			
18.	Has the department documented the inventory level below the Statewide capitalization threshold that will be utilized?			
19.	Is someone assigned custodial responsibility by location for all assets?			
20.	Is access to the perpetual capital asset records limited to authorized individuals?			
21.	Is there adequate physical security surrounding the capital asset items?			
22.	Is there adequate insurance coverage of the capital asset items?			
	B. Monitoring			
23.	Is a physical inventory taken at least annually?			
24.	Are the Physical Inventory Worksheets approved by the Chief Fiscal Officer or responsible supervisor before the fixed asset officer makes changes to the Fixed Asset System? (Critical Control)			
25.	Are capital asset inventory worksheets (physical count) reconciled to the fixed asset listing at year-end? (Critical Control)			
26.	Is such insurance coverage independently reviewed periodically?			

		Yes	No	N/A
27.	Has the Internal Policy/Procedure Manual been updated with any changes in the department, or department philosophy?			
28.	Is a physical inventory of capitalized assets and inventoried items taken each time there is a change at a management or supervisory level that has responsibility for the assets?			
29.	Are missing items investigated and reasons for them missing documented?			

SELF ASSESSMENT OF INTERNAL CONTROL

Budget and Financial Cycles

Computer Security Cycle

Department _____

Fiscal Year Ending _____

		Yes	No	N/A
	A. Control Activities / Information and Communications			
1.	Is there a formal organizational chart which identifies the individuals responsible for the: a. Computer systems? b. Computer security?			
2.	Has management considered the appropriate segregation of duties among personnel involved in the IT security function?			
3.	Have roles and responsibilities been clearly defined and communicated?			
4.	Is the financial system's business owner management appropriately included in the design of the IT security function from a data ownership?			
5.	Does management have a controlled process in place to update the security policy and procedure documentation on a periodic basis?			
6.	Is a formal documented security administration process in place to ensure that all applications access, including restricted access to financial applications, is approved? (Critical Control)			
7.	Has management implemented a formal process for changing financial data file permissions?			
8.	Has management implemented a formal security administration process for granting, changing, and removing direct access to financial data?			
9.	Does management periodically review monitoring reports to identify potential unauthorized activity? (Critical Control)			

		Yes	No	N/A
10.	<p>When an employee or contractor is terminated, are the following precautions implemented immediately:</p> <p>a. The employee or contractor is denied access to the equipment?</p> <p>b. The employee or contractor is denied access to any data, program listing, etc.?</p> <p>c. All other employees are informed of the employee's termination?</p> <p>d. The employee or contractor's user-id and password are deleted from the computer system?</p>			
11.	Is there a time out/screen saver and/or log off function, which will protect a terminal if left unattended?			
12.	Does a login name and a password uniquely identify users when they sign on to the system (e.g. no group users IDs)?			
13.	If an employee incorrectly enters their password three times in a row, does the computer system deny them access to the computer system until reset by the system administrator?			
14.	Do all PCs under control of the agency use a recognized anti-virus (A/V) or end-point security program? Does the agency run the A/V program on a regular schedule?			
15.	Does the agency have a firewall established for their Lan or for individual workstations?			
16.	Is there a written disaster recovery (DR) plan?			
17.	<p>Does the DR plan include identification of the following?</p> <p>a. Critical applications? (Critical Control)</p> <p>b. Staff responsibilities? (Critical Control)</p> <p>c. Steps for recovery of the system? (Critical Control)</p> <p>d. Computer equipment needed for temporary processing? (Critical Control)</p> <p>e. Business location(s) that could be used to process critical applications in the event of an emergency? (Critical Control)</p>			

		Yes	No	N/A
18.	Has the agency taken steps to prevent and minimize potential damage and interruption through the use of data and program backup procedures including off-site storage of backup data as well as environmental controls, staff training, and hardware maintenance and management? (Critical Control)			
19.	Are there provisions for retaining and/or copying master files, and is there practical means of reconstruction a damaged or destroyed file?			
	B. Monitoring			
20.	Does the agency monitor information systems access, investigates apparent violations, and takes appropriate remedial and disciplinary action? (Critical Control)			
21.	Does the department or management balance control totals generated during computer processing with those originally established and reconcile all discrepancies? (Critical Control)			

SELF ASSESSMENT OF INTERNAL CONTROL

Budget and Financial Cycles

Investment Cycle

Department _____

Fiscal Year Ending _____

		Yes	No	N/A
	A. Control Activities / Information and Communications			
1.	Are there approved written policies and procedures that document the investment processing and identify control procedures?			
2.	Are policies and procedures established to ensure investments are received or appropriately reflected in the custodial accounts?			
3.	Are investment purchases or sells recorded in the sub-ledger/general ledger on the date traded?			
4.	Are policies and procedures established to ensure the purchase and sell of investments are properly recorded?			
5.	Are competitive bids sought for certificate of deposit purchases?			
6.	Are certificates of deposit and interest coupons sufficiently safeguarded?			
7.	If applicable, are individuals with access to securities bonded?			
8.	Are policies and procedures established to ensure investment income received is recorded properly?			
9.	Does investment income earned get recorded on a timely basis?			
10.	Are investment earnings credited to the proper fund?			
11.	Are investment earning calculations and accruals reviewed at year-end?			
12.	Do specific procedures exist for tracking maturing investments and interest payments?			
13.	Are investment guidelines including authorized individuals, investment asset allocation, and safekeeping formally approved and reviewed annually? (Critical Control)			

		Yes	No	N/A
14.	Is the acquisition and disposal of investments authorized by a person with approval authority?			
15.	Have authority and responsibility been established for investment opportunity evaluation (investment performance review)?			
16.	<p>Are the following responsibilities performed by different people:</p> <p>a. Cash flow management, investment transactions, safekeeping of the investments, and recording to the general ledger?</p> <p>b. Record-keeping functions for securities and income separate from those having access to physical securities, those authorizing security transactions, and those having duties in the cash area?</p> <p>c. Initiating, evaluating, and approving transactions segregated from those for detail accounting, general ledger and other related functions?</p> <p>d. Monitoring investment market values and performance segregated from those performing investment acquisitions?</p> <p>e. Maintaining detail accounting records segregated from those for general ledger entries?</p> <p>f. Custodial responsibilities for securities or for other documents evidencing ownership or other rights assigned to an official who has no accounting duties?</p>			
17.	<p>Does a governing body or statute restrict investments by asset type and/or limit amounts?</p> <p>Can officials override these restrictions with proper authorization? (Critical Control)</p>			
18.	Are all securities held or registered in the name of the agency or the State Treasurer, if applicable? (Critical Control)			
19.	<p>Are detail records maintained that include the following information, if applicable, on each evidence of ownership:</p> <p>a. Date of the purchase, identification of the investment, purchase amount or cost, and maturity date?</p> <p>b. Physical location of item, i.e., safekeeping agent, etc.?</p>			

		Yes	No	N/A
	c. Interest dividend or income rates and accrual or receipt dates? d. Ownership by fund?			
20.	Do procedures exist for reconciling the detail accounting records (custodian fiscal agent statements) with the sub-ledger/general ledger on a monthly basis? Are differences researched and resolved within a timely manner? (Critical Control)			
	B. Monitoring			
21.	Is the classification of investments in the sub-ledger/general ledger periodically reviewed? Does this classification agree with the note disclosures? (Critical Control)			
22.	Does a responsible official determine that the income earned is credited to the proper fund?			
23.	In respect to question 17 above, does a responsible official determine that investments are of the character and type permitted by legal requirements? If restrictions are overridden, are the reasons and authority for the action properly documented? (Critical Control)			
24.	Is the performance of the investment portfolio periodically evaluated quarterly by persons independent of investment portfolio management activities? (Critical Control)			
25.	Are appropriate personnel authorized to release securities from safekeeping agent authorized by the governing body?			
26.	Are securities or legal documents or agreements evidencing ownership or other rights kept in a vault with limited access, or preferable, protected in a safe deposit box, on deposit with a corporate trustee, or investment broker/custodian?			
27.	For departments with an investment portfolio, does a written Ethics Policy, Conflicts of Interest, Delegation of Authority Policy exist and does it apply to all investment employees?			
28.	Does management require personnel with investment authority to disclose any Conflicts of Interest on an annual basis? (Critical Control)			

		Yes	No	N/A
29.	<p>For departments with an investment portfolio, does management require a SAS 70, Type II report on the custodian's operations on an annual basis? This is an external audit report.</p> <p>Does management review the SAS 70, Type II report to verify that controls are operating correctly? (Critical Control)</p>			

SELF ASSESSMENT OF INTERNAL CONTROL

Budget and Financial Cycles

Debt Cycle

Department _____

Fiscal Year Ending _____

		Yes	No	N/A
	A. Control Activities / Information and Communications			
1.	Is there a formal organizational chart which identifies the responsibilities for processing and recording debt are clearly defined?			
2.	Are policies established to ensure that debt issued is authorized? Does specific legislation or regulations allow the organization to issue debt?			
3.	Are separate accounting records maintained for each debt issuance?			
4.	Are all proceeds from bond issues subject to arbitrage rebate requirements accounted for separately from the department 's other funds to facilitate tracking of the investment earnings?			
5.	Are policies established to ensure that debt issued is correctly recorded as to amount and fund?			
6.	Are policies established to ensure that proceeds of debt issued are recorded properly?			
7.	Are all bond order and secondary market disclosure requirements complied with and appropriate IRS forms (8038-G or 8038-GC) filed?			
8.	Is the department compliant with all debt service and other fiscal requirements of the bond resolutions?			
9.	Are policies established to ensure that cash is available for payment of interest and matured debt?			
10.	Are policies established to ensure that interest payments are recorded properly?			

		Yes	No	N/A
11.	Are procedures established to ensure that the redemption of mature debt is correctly recorded as to amount and fund?			
12.	Are procedures established to ensure that the defeasance of debt is correctly recorded as to amount and fund?			
13.	Are policies established to ensure that access to unissued debt and related records is limited?			
14.	Are interest payments reconciled to debt outstanding?			
15.	Are detail records on debt reconciled to general ledger controls monthly? (Critical Control)			
16.	Are the following responsibilities performed by different people? (Critical Control) a. Handling and recording of debt? (Critical Control) b. Reviewing and reconciling control accounts separate from the person who records the information? (Critical Control) c. Recording of cash separate from the recording of the debt? (Critical Control) d. Maintaining detail records on debt separate from cash functions? (Critical Control)			
17.	Is a fiscal agent used for debt issue, interest payments, and redemption?			
18.	Do evidences of debt and principal repayment checks/transfers require the signature of two responsible officials who are authorized and who are independent of each other?			
19.	Is debt issued only in the department's name or in the State's name? (Critical Control)			
20.	If fiscal agents are used for the payment of bonds and interest, does the department receive periodic reports of bonds outstanding and unclaimed interest and are these reports reconciled on a quarterly basis? (Critical Control)			
21.	Is the department meeting the arbitrage rebate requirements for all tax-exempt financing?			

		Yes	No	N/A
	B. Monitoring			
22.	Are redeemed bond coupons canceled and accounted for prior to payment of bond interest and reconciled to bond records by an independent employee?			
23.	In relation to question 2 above, do all debt issues have to be properly authorized in accordance with applicable legal requirements (i.e. voters, governing body, other governmental agencies or top financial officers)?			
24.	Does a responsible official determine that debt is retired from the appropriate revenue sources?			
25.	Does a responsible official periodically determine whether the governmental unit is in compliance with agreement restrictions and report results to a higher authority?			
26.	Does a responsible official review use of proceeds from bonds sales to ensure that proceeds are used in accordance with legal requirements?			

SELF ASSESSMENT OF INTERNAL CONTROL

Major Federal Financial Assistance Cycle

General Requirements

Davis-Bacon Act

Department _____

Fiscal Year Ending _____

		Yes	No	N/A
	A. Control Activities / Information and Communications			
1.	Does the department obtain the prevailing wage rates from the Department of Labor?			
2.	Are the prevailing wage rates requirements communicated to contractors in the procurement documents? (Critical Control)			
3.	Are contractors and subcontractors required by contract to submit certifications and copies of payrolls?			
4.	Does the department compare the prevailing wage rates to the certified payroll submitted by contractors or subcontractors? (Critical Control)			
5.	Does the department interview contractor's or subcontractor's laborers to verify their wage rates?			
6.	Are these wage rates then compared to the prevailing wage rate?			
	B. Monitoring			
7.	Does department staff monitor contractors for compliance with contract terms, including the Davis-Bacon provision?			
8.	Are on-site visits performed to monitor classifications and wage rates?			
9.	Are monitoring reports from contractors independently compared or checked against other reports?			

SELF ASSESSMENT OF INTERNAL CONTROL

Major Federal Financial Assistance Cycle

General Requirements

Allowable Costs / Cost Principles

Department _____

Fiscal Year Ending _____

		Yes	No	N/A
	A. Control Activities / Information and Communications			
1.	Does the department maintain written policies and procedures regarding expenditures eligible for Federal reimbursement (direct or indirect)?			
2.	Does the department have an approved plan to allocate cost between federal programs or between federal and state programs or funds?			
3.	Is the plan current?			
4.	Are grant agreements, program regulations, and cost principles circulars available to staff responsible for determining allowable costs (direct and indirect)?			
5.	Are costs allocated according to a plan that has been approved by the Federal agency?			
6.	Is the cost allocation plan reconciled to the agency's budget report(s) and the general ledger?			
7.	Are records maintained supporting the basis for allocating cost? (Critical Control)			
8.	Does the department have a cost system which allocates cost?			
9.	Are allocated costs periodically reviewed to determine that the costs were properly allocated?			
10.	Are costs allocated to all benefiting programs?			
11.	Are allocations which are based on budgets or other estimates adjusted to actual allowable costs?			

		Yes	No	N/A
12.	Are procedures in place to ensure that there are no duplicate or double charging of costs through allocations?			
13.	Are approved indirect cost rates applied to the proper base for each grant program?			
14.	Are costs treated consistently? (Critical Control)			
15.	Are costs routinely reviewed to determine that they are properly allocated between programs? (Critical Control)			
16.	Are the following duties performed by different people: a. Coding expenditures to Federal programs? (Critical Control) b. Reviewing and approving expenditures? (Critical Control)			
17.	Is the method of allocating cost understood by staff responsible for coding expenditures?			
18.	Are personnel responsible for coding expenditures to federal programs properly trained to determine expenditures which are allowable and allocable to the federal programs?			
19.	Are expenditures and supporting documents reviewed for allowable costs and approved by a person knowledgeable of the provisions of OMB Circular A-87?			
20.	Are expenditures charged to federal programs required to be processed within the same internal accounting control system as other expenditures of the department?			
21.	Are assistance payments to individuals or to third parties on behalf of individuals matched or compared to eligibility systems to determine initial or continued eligibility of the individual?			
22.	Are payments to vendors or subrecipients compared to contracts, agreements or contract subsystems to ensure that payments do not exceed the contract or budgeted amount?			
23.	Are payments to subrecipients required to be supported by a properly authorized request for reimbursement or request for an advance from the subrecipient?			
	B. Monitoring			
24.	Are comparisons made between budget and actual allowable costs?			

		Yes	No	N/A
25.	Are large variances between estimated and actual cost investigated?			
26.	Does management review supporting documents for allowable activity / cost information?			
27.	Have any audits been performed by an organization outside your department in the recent past?			
28.	Does information from the Federal agency flow to appropriate management?			

SELF ASSESSMENT OF INTERNAL CONTROL

Major Federal Financial Assistance Cycle

General Requirements

Period of Availability

Department _____

Fiscal Year Ending _____

		Yes	No	N/A
	A. Control Activities / Information and Communications			
1.	Is staff knowledgeable of grant cut-off dates?			
2.	Do procurement control procedures prevent obligation or expenditure of Federal funds outside the availability period?			
3.	Does the accounting system prevent obligation of Federal funds outside of the funding and liquidation period?			
4.	Are unliquidated commitments cancelled or extensions obtained at the end of the period of availability?			
5.	Are program managers advised of impending cut-off dates and expenditures reviewed just before and after the cut-off date?			
6.	Is there periodic reporting of unliquidated balances to appropriate levels of management and follow-up pursued?			
	B. Monitoring			
7.	Does management perform periodic reviews of expenditures before and after the grant cut-off date to ensure compliance with the period of availability requirements? (Critical Control)			
8.	Does management review budget and actual reports for the period?			

SELF ASSESSMENT OF INTERNAL CONTROL

Major Federal Financial Assistance Cycle

General Requirements

Procurement and Suspension and Debarment

Department _____

Fiscal Year Ending _____

		Yes	No	N/A
	A. Control Activities / Information and Communications			
1.	<p>Are there written policies for the procurement and contracts establishing:</p> <p>a. Maintenance of contract files?</p> <p>b. Methods of procurement, contractor selection or rejection, basis of contract price?</p> <p>c. Verification of full and open competition?</p> <p>d. Requirements for cost or price analysis?</p> <p>e. Obtaining and reacting to suspension and debarment certifications?</p> <p>f. Other applicable requirements for Federal procurement?</p>			
2.	Is there established segregation of duties between employees responsible for contracting, accounts payable, and cash disbursing?			
3.	Is the contractor's performance with the terms, conditions, and specifications of the contract monitored and documented? (Critical Control)			
4.	Are procedures established to verify that vendors providing goods and services under the award have not been suspended or debarred by the Federal Government? (Critical Control)			
5.	Are there proper channels for communicating suspected procurement and contracting improprieties?			

		Yes	No	N/A
	B. Monitoring			
6.	Does management perform periodic reviews of procurement and contracting activities to determine whether policies and procedures are being followed?			

SELF ASSESSMENT OF INTERNAL CONTROL

Major Federal Financial Assistance Cycle

General Requirements

Program Income

Department _____

Fiscal Year Ending _____

		Yes	No	N/A
	A. Control Activities / Information and Communications			
1.	Are collection policies and procedures clearly documented and communicated to personnel responsible for program income?			
2.	Are policies and procedures in place to ensure program income is deposited in the bank and recorded as earned?			
3.	Are there policies and procedures to provide for the correct use of program income as directed by Federal program requirements? (Critical Control)			
4.	Does the structure properly identify program income?			
5.	Are there proper channels for communicating suspected improprieties in the collection or use of program income?			
	B. Monitoring			
6.	Does management compare actual program income to budget and investigate significant differences? (Critical Control)			

SELF ASSESSMENT OF INTERNAL CONTROL

Major Federal Financial Assistance Cycle

General Requirements

Cash Management

Department _____

Fiscal Year Ending _____

		Yes	No	N/A
	A. Control Activities / Information and Communications			
1.	Are there written policies established to ensure compliance with federal cash management requirements?			
2.	If the program is named in the Treasury State Agreement (TSA) (CMIA agreement between the federal and State Treasuries), is Federal cash drawdown in accordance with the method(s) set for the program?			
3.	If the program is not named in the TSA, are expenditures of federal cash made no longer than seven business days from receipt of the cash?			
4.	Is responsibility for requesting grant drawdowns and monitoring interest earned on advances assigned to a person knowledgeable of the cash management requirements?			
5.	Are the following duties performed by different people: a. Estimating or determining cash requirements for the agency? (Critical Control) b. Reviewing and approving the request for advance or reimbursement? (Critical Control)			
6.	Does the department have established procedures for estimating or determining cash requirements?			
7.	Are requests for reimbursements based on actual cash outlays if required by the program?			
8.	Is there a cash log or record showing expenditures and cash balances for federally financed programs? (Critical Control)			

		Yes	No	N/A
9.	Is the Federal cash drawdown enough to prevent excess positive or negative cash balances from accumulating? (Critical Control)			
10.	Are grant funds accounted for separately in the accounting system?			
11.	Are cash requirements for subrecipients monitored to prevent excess cash transfers? (Critical Control)			
12.	Are advances or reimbursements to subrecipients monitored?			
13.	Are total advances or reimbursements to subrecipients compared to contracts or agreements periodically?			
14.	Is a cost settlement performed at the end of each year for each subrecipient with actual matchable expenditures compared to cash advances?			
	B. Monitoring			
15.	Are requests for advance or reimbursement reviewed and approved by persons with approval authority? (Critical Control)			
16.	Are statements prepared by appropriate management to determine essential cash flow needs?			
17.	Does management review the TSA for inclusion of programs for which they are responsible?			

SELF ASSESSMENT OF INTERNAL CONTROL

Major Federal Financial Assistance Cycle

General Requirements

Reporting

Department _____

Fiscal Year Ending _____

		Yes	No	N/A
	A. Control Activities / Information and Communications			
1.	Do written policies exist to identify risks of faulty reporting caused by such items as lack of current knowledge of, inconsistent application of, or carelessness or disregard for standards and reporting requirements of federal awards?			
2.	Is the general ledger or other reliable source the basis for the reports and is the account structure adequate to the task of producing accurate information?			
3.	Is there a written policy that establishes responsibility and provides procedures for periodic monitoring, verification, and reporting of program progress and accomplishments?			
4.	Is the staff responsible for reporting knowledgeable of the Federal requirements and due dates?			
5.	Is a tracking system used to inform staff of report due dates?			
6.	Is the correct accounting method used: a. Cash? (Critical Control) b. Accrual? (Critical Control)			
7.	Is there an accounting or information system that provides for the reliable processing of financial and performance information for federal awards?			
8.	Does management review the reports to assure the accuracy and completeness of data included in the reports? (Critical Control)			
	Is there sufficient communication with federal authorities and/or federal guidance sources to determine changes in reporting requirements?			

		Yes	No	N/A
	B. Monitoring			
9.	Is there communication from external parties that corroborates information included in the reports for federal awards?			
10.	Are reports compared to the general ledger or other accounting records?			

SELF ASSESSMENT OF INTERNAL CONTROL

Major Federal Financial Assistance Cycle

Specific Requirements

Activities Allowed or Unallowed

Department _____

Fiscal Year Ending _____

		Yes	No	N/A
	A. Control Activities / Information and Communications			
1.	Does information from the Federal agency flow to personnel responsible for determining if activities are allowable?			
2.	Are supporting documents reviewed for allowable services information? (Critical Control)			
3.	Are comparisons made between prior year services and current year service? (Critical Control)			

SELF ASSESSMENT OF INTERNAL CONTROL

Major Federal Financial Assistance Cycle

Specific Requirements

Matching, Level of Efforts, or Earmarking

Department _____

Fiscal Year Ending _____

		Yes	No	N/A
	A. Control Activities / Information and Communications			
1.	Are there written policies that outline the following: a. Responsibilities for determining required amounts or limits for matching, level of effort, or earmarking? b. Methods of valuing matching requirements, e.g., "in-kind" contributions of property and services, calculations of levels of effort? c. Allowable costs that may be claimed for matching, level of effort, or earmarking? d. Methods of accounting for and documenting amounts used to calculate amounts claimed for matching, level of effort, or earmarking?			
2.	Are matching, level of effort and earmarking requirements considered when the budget is established?			
3.	Are "in-kind" contributions and volunteer services properly documented?			
4.	Is there a system in place to ensure that expenses/expenditures, refunds, and cash receipts or revenues are properly classified and recorded only once as to their effect on matching, level of effort, or earmarking?			
5.	Does management review the source of funds for the budgeted amounts to ensure that they are allowable? (Critical Control)			
6.	Are budget reports reviewed periodically to determine that requirements are being met as scheduled? (Critical Control)			
7.	Is appropriate action taken when requirements are not being met as scheduled? (Critical Control)			

SELF ASSESSMENT OF INTERNAL CONTROL

Major Federal Financial Assistance Cycle

Specific Requirements

Eligibility

Department _____

Fiscal Year Ending _____

		Yes	No	N/A
	A. Control Activities / Information and Communications			
1.	Are there written policies that provide direction for making and documenting eligibility determinations?			
2.	Is staff responsible for eligibility determination: <ul style="list-style-type: none"> • knowledgeable of the program requirements and • adequately trained? 			
3.	Are eligibility objectives and procedures clearly communicated to employees?			
4.	Are authorization signatures on eligibility documents periodically reviewed?			
5.	Are manual criteria checklists or automated processes used in making eligibility determinations?			
6.	Are the following duties performed by different people: <ul style="list-style-type: none"> a. Verifying the information on the application? (Critical Control) b. Determining eligibility? (Critical Control) c. Calculating the assistance payment? (Critical Control) d. Approving eligibility determinations and assistance calculations? (Critical Control) 			
7.	Is the information provided by the applicant verified for accuracy with independent sources and as to completeness?			

		Yes	No	N/A
8.	Do channels of communication exist for people to report suspected eligibility improprieties?			
9.	Is documentation of eligibility determination in accordance with program requirements?			
	B. Monitoring			
10.	Are eligibility determinations approved by a designated official before assistance payments begin? (Critical Control)			
11.	Are applicants periodically reviewed to determine continued eligibility? (Critical Control)			
12.	Is there a quality control function which selects a sample of eligibility determinations for review?			
13.	Is the quality control function independent from the persons responsible for administering the programs?			
14.	Are error rates of incorrect eligibility that are indentified by the quality control unit within acceptable limits?			
15.	If no quality control function, is a sample of eligibility determinations reviewed for quality control?			

SELF ASSESSMENT OF INTERNAL CONTROL

Major Federal Financial Assistance Cycle

Supplemental Requirements

Subrecipient Monitoring

Department _____

Fiscal Year Ending _____

		Yes	No	N/A
	A. Control Activities / Information and Communications			
1.	Is the audit resolution process documented and maintained in an orderly manner?			
2.	Is a master list maintained of all subrecipients?			
3.	Is the master list of subrecipients updated as disbursements are made or as contracts are signed?			
4.	Do contracts specify Federal award information, including the requirement for subrecipients to obtain an audit in accordance with the "Single Audit Act"(OMB Circular A-110 or A-133)? (Critical Control)			
5.	Is subrecipient compliance with audit requirements monitored using techniques such as the following: a. Determining by inquiry and discussions whether subrecipients met thresholds requiring an audit under OMB A-133? b. If an audit is required, assuring that the subrecipient submits the report, report package or the documents required by the OMB circulars and/or State's requirements? c. If a subrecipient was required to obtain an audit in accordance with OMB A-133 but did not do so, following up with the subrecipient until the audit is completed and taking appropriate actions such as withholding further funding until the subrecipient meets the audit requirements?			
6.	Are subrecipients monitored using standard procedures to ensure compliance with program regulations? (Critical Control)			

		Yes	No	N/A
7.	<p>Is subrecipient compliance with federal program requirements monitored using such techniques as the following:</p> <ul style="list-style-type: none"> a. Issuing timely management decisions for audit and monitoring findings to inform subrecipients whether the corrective action plan is acceptable? b. Maintain a system to track and following up on reported deficiencies related to programs funded by the State and ensure that timely corrective action is taken? c. Have regular contacts with subrecipients and appropriate inquiries concerning the federal program? d. Review subrecipient reports and following up on areas of concern? e. Monitoring subrecipient budgets? f. Performing site visits to subrecipients to review financial and programmatic records and observe operations? g. Offering subrecipients technical assistance where needed? 			
8.	<p>Do standard award documents submitted by the State to subrecipients contain the following:</p> <ul style="list-style-type: none"> a. A listing of federal requirements that the subrecipient must follow. Items can be specifically listed in the award document, attached as an exhibit to the document, or incorporated by reference to specific criteria. b. The description and program number for each program as stated in the Catalog of Federal Domestic Assistance (CFDA). If the program funds include pass-through funds from another recipient, the pass-through program information should also be identified. c. A statement signed by an official of the subrecipient, stating that the subrecipient was informed of, understands, and agrees to comply with the applicable compliance requirements. 			
9.	Are there channels in place for subrecipients to communicate concerns to the State regarding federal compliance?			
10.	Are monitors required to document procedures performed during monitoring visits in the form of workpapers?			

		Yes	No	N/A
11.	Are monitors adequately trained to evaluate the programs administered by subrecipients?			
12.	Do monitors use a monitoring guide?			
13.	When selecting subrecipients for monitoring, do monitors consider factors such as: a. size of grants, b. prior monitoring, c. audit findings, d. size of the organization receiving the grant, and e. experience of the organization in administering the program?			
14.	Do written procedures exist for resolution of compliance issues and questioned costs identified during monitoring visits?			
15.	Are desk reviews performed on subrecipients Single Audit reports to determine that they are in accordance with the "Single Audit Act"?			
16.	Are the persons performing desk reviews of audit reports familiar with the requirements of the "Single Audit Act"?			
17.	Are audit findings identified in audit reports for subrecipients assigned to appropriate personnel to resolve the findings?			
18.	Are subrecipient audit findings and responses entered into a tracking system or otherwise identified for follow-up? (Critical Control)			
19.	Are personnel assigned to follow-up on audit findings familiar with the issues?			
20.	Does the audit resolution process ensure timely corrective action of audit findings? (Critical Control)			
21.	Is the audit resolution process documented and maintained?			
22.	Are subrecipient audit findings evaluated to determine if disclosure should be made in the state agency's financial statements?			
	B. Monitoring			
23.	Are monitors periodically rotated between regions or subrecipients to assure objectivity?			
24.	Are monitor workpapers and findings reviewed by appropriately designated officials?			

		Yes	No	N/A
25.	Are monitoring findings and resolutions reviewed and approved by a person with approval authority? (Critical Control)			
26.	Are subrecipient's Single Audit findings and resolutions reviewed and approved by a person with approval authority? (Critical Control)			
27.	Is there a tracking system to ensure submission of required subrecipient reporting or agency reports, such as: a. Financial reports, b. Performance reports, c. Audit reports, d. On-site reports, e. On-site monitoring reviews of subrecipients, and f. Timely resolution of audit findings?			
28.	Are supervisory reviews performed to determine the adequacy of subrecipient monitoring?			

Section V - Appendix

DEPARTMENT OF ACCOUNTING AND GENERAL SERVICES

Confirmation of Self-Assessment of Internal Controls

Department _____

To be signed by the department's financial officer:

A self-assessment of internal controls has been conducted for the year ending June 30, 2010. As a part of this self-assessment, the Department of Accounting and General Services (DAGS) prepared Internal Control Questionnaire, has been completed and is available for review by the Office of the Auditor and the DAGS' Audit Division. Any instances of cycles deemed not applicable have been explained in Attachment I. Any instances of inadequate internal controls have been explained in Attachment II.

Signature: _____

Printed name: _____

Title: _____

Date: _____

Please return this form and a copy of the completed questionnaire (Section IV) and related attachments by December 31, 2009 via Email, fax or mail to:

Audit Division
Department of Accounting and General Services
1151 Punchbowl Street, Rm 230
Honolulu, HI 96813

Email: wayne.l.chu@hawaii.gov
Fax: (808) 586 0738

Sample

DEPARTMENT OF ACCOUNTING AND GENERAL SERVICES

Self-Assessment of Internal Controls

Internal Control Cycle – Not Applicable

The (name of cycle) cycle does not apply to the (name of the department) for the following reasons:

State reasons why the cycle is not applicable to the agency.

Sample

DEPARTMENT OF ACCOUNTING AND GENERAL SERVICES

Self-Assessment of Internal Controls

Inadequate Internal Control

Section: Accounts Receivable Cycle

Page: F-1 **Procedure:** 26a

Problem noted:

One employee performs both the billing and collecting of accounts receivable processes at the department. The department has a limited number of employees.

Corrective action taken:

The accounts receivable employee will perform the billing of accounts receivable. The cash receipts employee will collect the accounts receivable. The accounting supervisor will review the billing and collecting and post to the general ledger. Due to the size of the department, this is the most cost effective action to take to obtain stronger internal controls.

OR

The billing and collecting accounts receivable process will be redistributed among the accounting personnel to allow for segregation of duties.

Effective date: Next billing cycle.