

ATTACHMENT 9: INTERNAL CONTROL QUESTIONNAIRE

GENERAL			
The following questions relate to the internal accounting controls of the overall organization.	Yes	No	N/A
1. Are the duties for key employees of the organization defined?			
2. Is there an organization chart that sets forth the actual lines of responsibility?			
3. Are written procedures maintained covering the recording of transactions?			
a. Covering an accounting manual?			
b. Covering a chart of accounts?			
4. Do the procedures, chart of accounts, etc., provide for identifying receipts and expenditures of program funds separately for each grant?			
5. Does the accounting system provide for accumulating and recording expenditures by grant and cost category shown in the approved budget?			
6. Does the organization maintain a policy manual covering the following:			
a. approval authority for financial transactions?			
b. guidelines for controlling expenditures, such as purchasing requirements and travel authorizations?			
7. Are there procedures governing the maintenance of accounting records?			
a. Are subsidiary records for accounts payable, accounts receivable, etc., balanced with control accounts on a monthly basis?			
b. Are journal entries approved, explained and supported?			
c. Do accrual accounts provide adequate control over income and expense?			
d. Are accounting records and valuables secured in limited access areas?			
8. Are duties separated so that no one individual has complete authority over an entire financial transaction?			
9. Does the organization use an operating budget to control funds by activity?			
10. Are there controls to prevent expenditure of funds in excess of approved, budgeted amounts? For example, are purchase requisitions reviewed against remaining amount in budget category?			
11. Has any aspect of the organization's activities been audited within the past 2 years by another governmental agency or independent public accountant?			
12. Has the organization obtained fidelity bond coverage for responsible officials?			
13. Has the organization obtained fidelity bond coverage in the amounts required by statutes or organization policy?			
14. Are grant financial reports prepared for required accounting			

periods within the time imposed by the grantors?			
15. Does the organization have an indirect cost allocation plan or a negotiated indirect cost rate?			
CASH RECEIPTS	YES	NO	N/A
1. Does the organization have subgrant agreements which provide for advance payments and/or reimbursement of cost?			
2. If advance payments have been made to the organization:			
a. Are funds maintained in a bank with sufficient federal deposit insurance?			
b. Is there an understanding of the terms of the advance (i.e. to be used before costs can be submitted for reimbursement)?			

PURCHASING, RECEIVING, AND ACCOUNTS PAYABLE	YES	NO	N/A
The following conditions are indicative of satisfactory control over purchasing, receiving, and accounts payable.			
1. Prenumbered purchase orders are used for all items of cost and expense.			
2. There are procedures to ensure procurement at competitive prices.			
3. Receiving reports are used to control the receipt of merchandise.			
4. There is effective review by a responsible official following prescribed procedures for program coding, pricing, and extending vendors' invoices.			
5. Invoices are matched with purchase orders and receiving reports.			
6. Costs are reviewed for charges to direct and indirect cost centers in accordance with applicable grant agreements and applicable Federal Management circulars pertaining to cost principles.			
7. When accrual accounting is required, the organization has adequate controls such as checklists for statement closing procedures to ensure that open invoices and uninvoiced amounts for goods and services received are properly accrued or recorded in the books or controlled through worksheet entries.			
8. There is adequate segregation of duties in that different individuals are responsible for (a) purchase (b) receipt of merchandise or services, and (c) voucher approval.			

PURCHASING	YES	NO	N/A
1. Is the purchasing function separate from accounting and receiving?			
2. Does the organization obtain competitive bids for items, such as rental or service agreements, over specified amounts?			
3. Is the purchasing agent required to obtain additional approval on purchase orders above a stated amount?			
4. Are there procedures to obtain the best possible price for items not subject to competitive bidding requirements, such as			

approved vendor lists and supply item catalogs?			
5. Are purchase orders required for purchasing all equipment and services?			
6. Are purchase orders controlled and accounted for by prenumbering and keeping a logbook?			
7. Are the organization's normal policies, such as competitive bid requirements, the same as grant agreements and related regulations?			
8. Is the purchasing department required to maintain control over items or dollar amounts requiring the ADECA to give advance approval?			
9. Under the terms of 2 CFR 200, certain costs and expenditures incurred by units of State and local governments are allowable only upon specific prior approval of the grantor Federal agency. The grantee organization should have established policies and procedures governing the prior approval of expenditures in the following categories.			
a. Automatic data processing costs.			
b. Building space rental costs.			
c. Costs related to the maintenance and operation of the organization's facilities.			
d. Costs related to the rearrangement and alteration of the organization's facilities.			
e. Allowances for depreciation and use of publicly owned buildings.			
f. The cost of space procured under a rental-purchase or a lease-with-option-to-purchase agreement.			
g. Capital expenditures.			
h. Insurance and indemnification expenses.			
i. The cost of management studies.			
j. Preagreement costs.			
k. Professional services costs.			
l. Proposal costs.			
10. Under the terms of 2 CFR 200 certain costs incurred by units of State and local governments are <u>not</u> allowable as charges to Federal grants. The grantee organization should have established policies and procedures to preclude charging Federal grant programs with the following types of costs.			
a. Bad debt expenses.			
b. Contingencies.			
c. Contribution and donation expenditures			
d. Entertainment expenses.			
e. Fines and penalties.			
f. Interest and other financial costs.			
g. Legislative expenses.			
h. Charges representing the nonrecovery of costs under grant agreements.			

RECEIVING	YES	NO	N/A
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1. Does the organization have a receiving function to handle receipt of all materials and equipment?			
2. Are supplies and equipment inspected and counted before acceptance for use?			
3. Are quantities and descriptions of supplies and equipment checked by the receiving department against a copy of the purchase order or some other form of notification?			
4. Is a logbook or permanent copy of the receiving ticket kept in the receiving department?			
ACCOUNTS PAYABLE	YES	NO	N/A
1. Is control established over incoming vendor invoices?			
2. Are receiving reports matched to the vendor invoices and purchase orders, and are all of these documents kept in accessible files?			
3. Are charges for services required to be supported by evidence of performance by individuals other than the ones who incurred the obligations?			
4. Are extensions on invoices and applicable freight charges checked by accounts payable personnel?			
5. Is the program to be charged entered on the invoice and checked against the purchase order and approved budget?			
6. Is there an auditor of disbursements who reviews each voucher to see that proper procedures have been followed?			
7. Are checks adequately cross referenced to vouchers?			
8. Are there individuals responsible for accounts payable other than those responsible for cash receipts?			
9. Are accrual accounts kept for items which are not invoiced or paid on a regular basis?			
10. Are unpaid vouchers totaled and compared with the general ledger on a monthly basis?			

CASH DISBURSEMENTS	YES	NO	N/A
The following conditions are indicative of satisfactory controls over cash disbursements:			
i. Duties are adequately separated; different persons prepare checks, sign checks, reconcile bank accounts, and have access to cash receipts.			
ii. All disbursements are properly supported by evidence of receipt and approval of the related goods and services.			
iii. Blank checks are <u>not</u> signed.			
iv. Unissued checks are kept in a secure area.			
v. Bank accounts are reconciled monthly.			
vi. Bank accounts and check signers are authorized by the board of directors or trustees.			
vii. Petty cash vouchers are required for each fund disbursement.			
viii. The petty cash fund is kept on an imprest basis.			
1. Are checks controlled and accounted for with safeguards over unused, returned, and voided checks?			
2. Is the drawing of checks to cash or bearer prohibited?			

3. Do supporting documents, such as invoices, purchase orders, and receiving reports, accompany checks for the check signers' review?			
4. Are vouchers and supporting documents appropriately cancelled (stamped or perforated) to prevent duplicate payments?			
5. If check signing plates are used, are they adequately controlled (i.e., maintained by a responsible official who reviews and accounts for prepared checks)?			
6. Are two signatures required on all checks or on checks over stated amounts?			
7. Are check signers responsible officials or employees of the organization?			
8. Is the person who prepares the check or initiates the voucher other than the person who mails the check?			
9. Are bank accounts reconciled monthly and are differences resolved?			
10. Concerning petty cash disbursements:			
a. Is petty cash reimbursed by check and are disbursements reviewed at that time?			
b. Is there a maximum amount, reasonable in the circumstances, for payments made in cash?			
c. Are petty cash vouchers written in ink to prevent alteration?			
d. Are petty cash vouchers canceled upon reimbursement of the fund to prevent their reuse?			

PAYROLL	YES	NO	N/A
The following conditions are indicative of satisfactory controls of payroll:			
i. Written authorizations are on file for all employees covering rates of pay, withholdings and deductions.			
ii. The organization has written personnel policies covering job descriptions, hiring procedures, promotions, and dismissals.			
iii. Distribution of payroll charges is based on documentation prepared outside the payroll department.			
iv. Payroll charges are reviewed against program budgets and deviations are reported to management for follow-up action.			
v. Adequate timekeeping procedures, including the use of time clock or attendance sheets and supervisory review and approval, are employed for controlling paid time.			
vi. Payroll checks are prepared and distributed by individuals independent of each other.			
vii. Other key payroll and personnel duties such as timekeeping, salary authorization and personnel administration are adequately separated.			
1. Are payroll and personnel policies governing compensation in accordance with the requirements of grant agreements?			
2. Are there procedures to ensure that employees are paid in accordance with approved wage and salary rates?			
3. Is the distribution of payroll charges checked by a second			

person and are aggregate amounts compared to the approved budget?			
4. Are wages paid at or above the Federal minimum wage?			
5. Are procedures adequate for controlling: (a) Overtime wages, (b) Overtime work authorization, and (c) Supervisory approval of overtime?			
6. Are payroll checks distributed by persons not responsible for preparing the checks?			

PROPERTY AND EQUIPMENT	YES	NO	N/A
The following conditions are indicative of satisfactory control over property and equipment: i. There is an effective system of authorization and approval of capital equipment expenditures. ii. Accounting practices for recording capital assets are reduced to writing. iii. Detailed records of individual capital assets are kept and periodically balanced with the general ledger accounts. iv. There are effective procedures for authorizing and accounting for disposals. v. Property and equipment is stored in a secure place.			
1. Are executive authorizations and approvals required for originating expenditures for capital items?			
2. Are expenditures for capital items reviewed for board approval before funds are committed?			
3. Does the organization have established policies covering capitalization and depreciation?			
4. Does the organization charge depreciation or use allowances on property and equipment against any grant programs that it administers?			
5. Is historical cost the basis for computing depreciation or use allowances?			
6. Are the organization's depreciation policies or methods of computing use allowances in accordance with the standards outlined in Federal circulars or agency regulations?			
7. Are there detailed records showing the asset values of individual units of property and equipment?			
8. Are detailed property records periodically balanced to the general ledger?			
9. Are detailed property records periodically checked by physical inventory?			
10. Are differences between book records and physical counts reconciled and are the records adjusted to reflect shortages?			
11. Are there procedures governing the use of property and equipment?			

INDIRECT COSTS	YES	NO	N/A
1. Does the organization have an indirect cost allocation plan or a negotiated indirect cost rate?			

2. Is the plan prepared in accordance with the provisions of 2 CFR 200?			
3. Has audit cognizance for the plan been established and are the rates accepted by all participating Federal and State agencies?			
4. Does the organization have procedures which provide assurance that consistent treatment is applied in the distribution of charges as direct or indirect costs to all grants?			