**YOUR  
LOGO  
HERE**

**YOUR COMPANY NAME HERE**

**SELF-ASSESSMENT OF INTERNAL CONTROLS**

**COMPILED BY YOUR ACCOUNTANT HERE**

**INSERT DATE HERE**

**TABLE OF CONTENTS**

Introduction to Risk Assessment 00

Risk Assessment Summary 00

Section I: Financial Reporting, Budgeting and Equity 00

Section II: Cash and Investments 00

Section III: Billing and Collections 00

Section IV: Capital Assets 00

Section V: Procurement and Accounts Payable 00

Section VI: Human Resources and Employee Compensation 00

Section VII: Debt Service and Debt Service Expenditures 00

Section VIII: Inventory 00

Section IX: Information Technology and Computer Controls 00

Recommended Tests of Controls 00

**INTRODUCTION TO RISK ASSESSMENT**

**WHAT IS A RISK ASSESSMENT**

A risk assessment is a process where a designated individual (or company) evaluates the internal control structure of a specified organization and determines whether the internal controls are designed strong or designed weak. In this specific risk assessment I, accountant name here, have evaluated the internal controls of Your Company Name over the following business functions;

* Financial Reporting, Budgeting and Equity
* Cash and Investments
* Billing and Cash Collections
* Capital Assets
* Procurement and Accounts Payable
* Human Resources and Employee Compensation
* Debt Service and Debt Service Expenditures
* Inventory
* Computer Controls

**WHAT ARE INTERNAL CONTROLS**

Internal controls are processes that exist to help the organization achieve the company’s objectives in operational effectiveness, reliable financial reporting, and compliance with policies and laws.

**WHAT WAS THE CONCLUSION**

**My evaluation concluded that the overall company control risk is LOW for each of the business functions. (Insert your own conclusion here).** Please see the next chapter for a summary of my conclusion and internal control risk designation for each of the business functions.

**WHAT ARE THE “GRADES”**

When evaluating an internal control design I have chosen to assign a grade of Low, Medium or High (depending on the design). Low risk means that the control is in place and it is designed well. Medium risk means that the control is in place but I have identified some design weaknesses with the control. This would mean that the control design should be amended to improve the control effectiveness. High risk means that the control is designed poorly or the control is non-existent. In this situation I would recommend for a strong and well-designed control to be developed and implemented as soon as possible.

**WHAT NOW**

At the end of this risk assessment I have included a listing of internal controls. **I encourage management to review the list. If management, or the governing board, would like me to test any of the controls I can always facilitate the testing.**

**HOW FREQUENTLY SHOULD I PERFORM A RISK ASSESSMENT?**

I would recommend for a self-assessment of internal controls to be updated at least once every three years. However, I would always recommend updating the self-assessment whenever key employee’s change (Village Manager, Treasurer or Superintendent).

**SECTION I**

**FINANCIAL REPORTING, BUDGETING AND EQUITY**

**JOURNAL ENTRIES**

Document the process [Insert Company Name Here] follows for creating and approving journal entries to the general ledger.

* Insert narrative here.

Do journal entries get reviewed and approved by someone other than the poster?

* Insert narrative here.

Do controls exist that ensure only authorized individuals can initiate entries?

* Insert narrative here.

**KEY CONTROL**

**Journal Entries are reviewed by a person independent of the process?**

***Controls are implemented and they are effectively designed.***

**FINANCIAL CLOSING PROCESS**

Has management established a well-defined process for financial reporting?

* Insert narrative here.

Do knowledgeable personnel monitor changes in authoritative guidance and regulations that affect the entity and make the appropriate changes to the entity’s accounting policies and procedures on a timely basis?

* Insert narrative here.

Is there supporting analysis for every non-routine event or estimate that is compliance with GAAP and the entity’s accounting policies?

* Insert narrative here.

Are unusual items and exceptions in analysis and reconciliations documented, resolved and reviewed by management on a timely basis?

* Insert narrative here.

Document the process the Village follows for closing each month.

* Insert narrative here.

**KEY CONTROL**

**Is there a process in place for financial reporting?**

***Controls are implemented and they are effectively designed.***

**FINANCIAL REPORTING**

Is the final review and approval of financial reports segregated from the responsibility for preparation of the reports?

* Insert narrative here.

Do procedures exist that ensure financial reports agree with books and records?

* Insert narrative here.

Are financial reports reviewed and approved by appropriate levels of management?

* Insert narrative here.

Are there procedures to ensure that all requirements for filing of financial reports and legal notices are met?

* Insert narrative here.

Are inter-fund receivables and payables balance monthly?

* Insert narrative here.

Describe the process for identifying subsequent events:

* Insert narrative here.

**KEY CONTROL**

**Financial reports are reviewed and approved by someone independent of preparation?**

***Controls are implemented and they are effectively designed.***

**BUDGET AND PLANNING**

Are responsibilities for budget preparation, adoption, and reporting segregated?

* Insert narrative here.

Is the budget sufficiently detailed to provide meaningful comparison with actual transactions?

* Insert narrative here.

Are inter-fund transfers included in the budget and balanced?

* Insert narrative here.

Does the Electric Company have a board approved budget?

* We do have a board-approved budget, as described above.

Are increases or decreases to the budget approved by the board?

* Insert narrative here.

Have procedures been adopted and communicated establishing authority and responsibility for transfer between budget categories?

* Insert narrative here.

Are administrators and departments notified of expenditures in excess of appropriations?

* Insert narrative here.

Are both the original budget and the final amended budget maintained in the accounting system?

* Insert narrative here.

**KEY CONTROLS**

**Does the government unit have an approved budget?**

***Controls are implemented and they are effectively designed.***

**Are budget amendments approved by the board?**

***Controls are implemented and they are effectively designed.***

**Are actual expenditures compared to the budget routinely by an appropriate individual?**

***Controls are implemented and they are effectively designed.***

**RECORDING EQUITY TRANSACTIONS**

Are there written policies and procedures to ensure proper authorization for the use of restricted equity amounts?

* Insert narrative here.

Are net asset restrictions and reserves approved by the board?

* Insert narrative here.

Does the board approve the use of restricted, reserved, or designated resources?

* Insert narrative here.

**KEY CONTROLS**

**Net asset restrictions and reserve are board approved?**

***Controls are implemented and they are effectively designed.***

**Use of reserves is board approved?**

***Controls are implemented and they are effectively designed.***

**OVERALL ASSESSMENT OF RISK OF**

**FINANCIAL REPORTING, BUDGETING, AND EQUITY**

*Based upon the narratives and questions documented above, and my understanding of the respective controls in place, I have determined that the control risk of the Financial Reporting, Budgeting, and Equity business function at* ***LOW.***

**SECTION II**

**CASH AND INVESTMENTS**

**SEGREGATION OF DUTIES**



(insert team members here)

(insert team members here)

(insert team members here)

(insert team members here)

(insert team members here)

(insert team members here)

Does anyone review the bank reconciliations?

* Insert narrative here.

Are authorized signers independent of voucher preparation and approval for payment?

* Insert narrative here.

Are authorized signers independent of check preparation, cash receiving and petty cash?

* Insert narrative here.

Are authorized signers independent of purchasing and receiving?

* Insert narrative here.

Are authorized signers independent of time keeping for payroll checks?

* Insert narrative here.

Are bank accounts properly reconciled?

* Insert narrative here.

Describe if check stock is pre-numbered or not, and how it is safeguarded.

* Insert narrative here.

Is there a check log kept for payroll and disbursements?

* Insert narrative here.

**KEY CONTROLS**

**Bank accounts are reconciled by someone independent of depositing?**

***Controls are implemented and they are effectively designed.***

**Bank reconciliations are reviewed by someone independent of preparation?**

***Controls are implemented and they are effectively designed.***

**Bank reconciliations are prepared by someone independent of general ledger?**

***No, but Mitigating Controls in place and effectively designed.***

**DETAIL ACCOUNTING**

Do procedures exist to ensure receipts and disbursements are recorded accurately and promptly?

* Insert narrative here.

Do procedures exist for authorizing and recording inter-fund and interbank transfers, and for providing for proper accounting of those transactions?

* Insert narrative here.

Are all bank accounts recorded in the general ledger?

* Insert narrative here.

**KEY CONTROL**

**Transfers are properly authorized?**

***Controls are implemented and they are effectively designed.***

**GENERAL LEDGER**

Do procedures exist for an effective bank reconciliation and comparison of warrants or checks in appropriate detail with disbursement detail?

* Insert narrative here.

Do procedures exist to examine signatures and endorsements on a test basis?

* Insert narrative here.

Accounting for numerical sequent of warrants and compared to check log?

* Insert narrative here.

Does management prepare a comparison of reconciled balance to general ledger?

* Insert narrative here.

Does management prepare a comparison of deposit amounts and dates with cash receipt entries?

* Insert narrative here.

Are adjustments of cash accounts approved and documented by the appropriate level of management or another appropriate person?

* Insert narrative here.

Does the person who reconciles the bank accounts receive the bank statements unopened from the bank?

* Insert narrative here.

**KEY CONTROL**

**Bank accounts are properly reconciled?**

***Controls are implemented and they are effectively designed.***

**ONLINE BANKING**

Describe the online banking process?

* Insert narrative here.

**KEY CONTROLS**

**Online banking is limited to authorized personnel.**

***Controls are implemented and they are effectively designed.***

**There is a segregation of duties with wire transfers.**

***Controls are implemented and they are effectively designed.***

**INVESTMENTS**

What type of investments is the organization utilizing?

* Insert narrative here.

Whose name are the investments registered in?

* Insert narrative here.

Are all investments properly recorded in the accounting records of the entity?

* Insert narrative here.

Are all investments properly collateralized as required by General Municipal Law and the organizations investment policy?

* Insert narrative here.

Does the investment policy comply with General Municipal Law, Section 39?

* Insert narrative here.

Does the investment policy contain a requirement of a written security agreement and written custodial agreement with each bank?

* Insert narrative here.

Does the investment policy contain specification of the types of acceptable collateral?

* Insert narrative here.

Does the investment policy outline the limit of allowable deposits with each bank?

* Insert narrative here.

Does the board review the policy annually?

* Insert narrative here.

**KEY CONTROLS**

**Collateral is being tracked by the entity**

***Controls are implemented and they are effectively designed.***

**Investments are within acceptable limits**

***Controls are implemented and they are effectively designed.***

**OTHER INVESTMENTS**

Is investment activity reviewed at regular interval s by an appropriate level of management?

* Insert narrative here.

Does management approve investment transaction to ensure that they are valid and in compliance with the entity’s policies and procedures?

* Insert narrative here.

Are investment and dividend income calculations and accruals reviewed?

* Insert narrative here.

Are third-party statements reconciled to the sub-ledger and general ledger accounts?

* Insert narrative here.

Does the government have procedures to ensure that it meets restrictions or limitations imposed by laws, funding sources or the governing body, on segregation, polling, or disposition of investments and/or use of income or proceeds?

* Insert narrative here.

Are there accounting policies and procedures that specific correct treatment for calculating asset impairment, including those requiring management’s estimates and judgments?

* Insert narrative here.

**KEY CONTROL**

**Controls over other investments in place**

***No other investments, controls are not applicable***

**OVERALL ASSESSMENT OF RISK OF**

**CASH AND INVESTMENTS**

*Based upon the narratives and questions documented above, and my understanding of the respective controls in place, I have determined that the control risk of the Cash and Investments business function at* ***LOW.***

**SECTION III**

**BILLING AND COLLECTIONS**

**SEGREGATION OF DUTIES**

Describe the procedures for cash receipting.

* Insert narrative here.

**KEY CONTROLS**

**Collection is segregated from depositing and recording**

***Controls are implemented and they are effectively designed.***

**SPECIAL ASSESSMENTS AND OTHER REVENUES**

Are rates and fees approved by the governing body and publicly announced or published in accordance with applicable laws and regulations.

* Insert narrative here.

Are bills, assessment, permits, license renewals, etc. agreed to authorize and.ir approved amounts before recording?

* Insert narrative here.

Are bills, assessments, permits, fines, etc. pre-numbered and the sequence accounted for?

* Insert narrative here.

Are revenues by revenue source and/or governmental activity are reviewed regularly by management?

* Insert narrative here.

Are calculations for deferred revenues supported by analysis that is in compliance with relevant GAAP?

* Insert narrative here.

**KEY CONTROL**

**Bills generated are pre-numbered?**

***No, but Mitigating Controls in place and effectively designed.***

**PROPERTY TAXES**

Do controls exist to ensure that additions, deletions, transfers, and abatements are properly and timely reflected in the property tax records?

* Insert narrative here.

Are authorized users the only ones that can modify data in the property tax rolls?

* Insert narrative here.

Are there controls to ensure tax assessments are being properly applied against tax rates, and special charges are being considered in the preparation of billing amounts?

* Insert narrative here.

Are there controls to ensure tax assessments are being properly applied against tax rates, and special charges are being considered in the preparation of billing amounts?

* Insert narrative here.

Are property tax assessment rolls maintained by individuals not involved in any accounting or collection function?

* Insert narrative here.

Does the entity use a lockbox? If so, how are the lockbox receipts compared to remittances?

* Insert narrative here.

**KEY CONTROLS**

**Tax collection is segregated from accounting function?**

***Property taxes not applicable, controls are not applicable***

**BILLING**

Describe the process for billing and collection?

* Insert narrative here.

Are there established procedures to ensure that all reimbursable costs or contract costs are billed and adherence to those procedures is periodically reviewed by an appropriate person?

* Insert narrative here.

Does someone reconcile collection data, receipts reports and general ledger?

* Insert narrative here.

Are all receivables recorded in the records at the time a claim is filed, or at the time a service is billed?

* Insert narrative here.

What is the process for reviewing delinquent accounts and considering for write-off?

* Insert narrative here.

Are these write-offs, or other reductions in receivables, formally approved by senior officials not involved in the collection function?

* Insert narrative here.

Is there supporting analysis for estimating the allowance for uncollectible accounts and bad debt expense in compliance with relevant GAAP and the entity’s accounting polices?

* Insert narrative here.

**KEY CONTROLS**

**Billing is segregated from collections?**

***Controls are implemented and they are effectively designed.***

**Accounts receivables write-offs are properly authorized?**

***No, but Mitigating Controls in place and effectively designed.***

**COLLECTION**

Is restrictive endorsement placed on incoming checks as soon as received?

* Insert narrative here.

Do procedures exist providing reasonable assurance that interest and penalties are properly charged on delinquent fees, taxes, or charges for service?

* Insert narrative here.

If payment is made in person, are all receipts for payment issued, accounted for, and balanced to collections?

* Insert narrative here.

Is the cashing of checks out of currency receipts prohibited?

* Insert narrative here.

Are all receipts deposited on a timely basis (preferably daily).

* Insert narrative here.

What procedures exist for follow-up of “not sufficient funds” checks?

* Insert narrative here.

Are receipts controlled by cash register or pre-numbered receipts?

* Insert narrative here.

Are currency receipts properly reconciled to totals of cash register, pre-numbered receipts or other devices?

* Insert narrative here.

Are daily cash receipts or other devices reconciled to the general ledger postings?

* Insert narrative here.

Where are un-deposited cash receipts kept?

* Insert narrative here.

Where are un-deposited cash receipts kept?

* Insert narrative here.

Are cash deposits deposited in a separate bank account when legally required or contractually required?

* Insert narrative here.

**KEY CONTROLS**

**Deposits are controlled by pre-numbered receipts?**

***Controls are implemented and they are effectively designed.***

**Money is properly safeguarded prior to deposit?**

***Controls are implemented and they are effectively designed.***

**OVERALL ASSESSMENT OF RISK OF**

**BILLING AND COLLECTIONS**

*Based upon the narratives and questions documented above, and my understanding of the respective controls in place, I have determined that the control risk of the Billing and Collections business function at* ***LOW.***

* **SECTION IV**
* **CAPITAL ASSETS**

**AUTHORIZATION**

Does the entity maintain written acquisition, disposal and capitalization policies and procedures and is adherence to those policies reviewed by the appropriate level of management?

* Insert narrative here.

Does the purchasing policy give guidelines such as prices to be paid, acceptable vendors and terms, asset quality standards, and the provisions of grants or bonds that may finance the expenditures?

* Insert narrative here.

Are capital asset acquisitions and remaining costs compared to capital budgets?

* Insert narrative here.

**EXECUTIVE OR LEGISLATIVE APPROVAL**

Is written board approval required for all significant capital assets projects or acquisitions?

* Insert narrative here.

Does the board approve surplus or sale of disposed assets?

* Insert narrative here.

Is there an individual designated with responsibility for assuring compliance with the terms and conditions of all grants, restricted contributions, exchange contracts, etc. that relate to the capital assets?

* Insert narrative here.

**KEY CONTROLS**

**Board approval is obtained for all significant capital projects?**

***Controls are implemented and they are effectively designed.***

**An individual is responsible for compliance with terms of grants?**

***Controls are implemented and they are effectively designed.***

**PROJECT ACCOUNTING**

Is a qualified employee or independent firm engaged to inspect and monitor technically complex projects?

* Insert narrative here.

Are there procedures to identify completed projects so that timely final project reports can be completed?

* Insert narrative here.

Is the accounting distribution reviewed to ensure that expenditures are charged to proper capital project, and fixed asset accounts are updated when a project is completed?

* Insert narrative here.

**KEY CONTROL**

**Accounting distribution is reviewed when a project is completed?**

***Controls are implemented and they are effectively designed.***

**OVERALL ASSESSMENT OF RISK OF**

**CAPITAL ASSETS**

*Based upon the narratives and questions documented above, and my understanding of the respective controls in place, I have determined that the control risk of the Capital Assets business function at* ***LOW.***

**SECTION V**

**PROCUREMENT AND ACCOUNTS PAYABLE**

**SEGREGATION OF DUTIES**



(insert team members here)

(insert team members here)

(insert team members here)

(insert team members here)

(insert team members here)

**REQUISITION AND PURCHASING**

Describe below how requisitions are initiated.

* Insert narrative here.

Is management approval of purchase orders required for purchases that exceed established limits according to the entity’s policy?

* Insert narrative here.

Are Purchase Orders renumbered, and is that sequence accounted for?

* Insert narrative here.

Are purchase prices periodically reviewed by an employee independent of the Purchasing Process?

* Insert narrative here.

Are competitive bidding procedures used?

* Insert narrative here

Are an adequate number of price quotations reviewed by an employee independent of the purchasing process?

* Insert narrative here.

Is the availability of funds checked before the issuance of purchase order or expenditure commitment?

* Insert narrative here.

Are purchases made for the accommodation of employees prohibited or adequately controlled?

* Insert narrative here.

Are changes to contracts/purchase orders subject to the same controls and approvals as the original agreement?

* Insert narrative here.

Are there procedures for coding expenditures in compliance with funding and organization accounting requirements?

* Insert narrative here.

Does the entity have an updated purchasing policy in accordance with 104-b of General Municipal Law?

* Insert narrative here.

**KEY CONTROLS**

**There is an approval process for purchase orders and contract issuance?**

***Controls are implemented and they are effectively designed.***

**Competitive bidding procedures are used?**

***Controls are implemented and they are effectively designed.***

**Purchases are in compliance with the purchasing policy?**

***Controls are implemented and they are effectively designed.***

**RECEIVING**

Does the entity have a separate receiving department?

* Insert narrative here.

How does the company ensure that goods have been received, meet quality standards, and are verified prior to payment by someone other than the individual approving payment?

* Insert narrative here.

Are receiving reports prepared, or a copy of the Purchase Order maintained for all goods?

* Insert narrative here.

Are steps taken to ensure that goods received are accurately counted and examined to see that they meet quality standards?

* Insert narrative here.

Are copies of receiving reports and Purchase Orders sent directly to purchasing?

* Insert narrative here.

**KEY CONTROL**

**Receiving signature is received prior to payment of invoices?**

***Controls are implemented and they are effectively designed.***

**INVOICE PROCESSING**

Does the accounts payable department receive copies of purchase orders and receiving signatures directly from the issuing department?

* Insert narrative here.

Does the accounts payable department compare invoice quantities, prices, and terms with those indicated on the purchase order or contract?

* Insert narrative here.

Does the accounts payable department compare invoice quantities, prices, and terms with those indicated on the receiving report or packing-slip?

* Insert narrative here.

Does the accounts payable department re-calculate invoice totals for accuracy?

* Insert narrative here.

Does the accounts payable department receive all original documents?

* Insert narrative here.

Does the accounts payable department receive all invoices from departments on a timely basis?

* Insert narrative here.

Does the accounting software reject duplicate entry of an invoice from a vendor?

* Insert narrative here.

Are there procedures to ensure that the accounts payable system is properly accounting for unmatched receiving reports and invoices?

* Insert narrative here.

Are there procedures for submission and approval of reimbursement to employees for travel and other expenses?

* Insert narrative here.

Are there procedures for using credit and charge accounts?

* Insert narrative here.

Is someone responsible for seeing that all cash discounts are taken and, if applicable, that exemption from sales, federal, excise and other taxes are claimed?

* Insert narrative here.

Are differences in invoice and purchase order price, terms, shipping arrangements, or quantities reviewed?

* Insert narrative here.

Does the accounting department record and follow up partial deliveries?

* Insert narrative here.

Are the accounting and purchasing departments promptly notified of returned purchases, and are such purchases correlated with vendor credit memos?

* Insert narrative here.

**KEY CONTROL**

**Invoices are matched to purchase orders?**

***Controls are implemented and they are effectively designed.***

**Invoice quantities, prices and terms agree with purchase order?**

***Controls are implemented and they are effectively designed.***

**Supporting invoices are original and clerically checked?**

***Controls are implemented and they are effectively designed.***

**There are controls over the entity’s charge and credit card purchases?**

***Controls are implemented and they are effectively designed.***

**There are submission and approval procedures for employees (travel and other)?**

***Controls are implemented and they are effectively designed.***

**VENDOR ADDING & REPORTING**

What are the controls for adding vendors into the accounting software?

* Insert narrative here.

Are 1099’s Being Issued?

* Insert narrative here.

**KEY CONTROL**

**There is an approval process for adding new vendors?**

***Controls are implemented and they are effectively designed.***

**Form 1099 is properly issued when required by law?**

***Controls are implemented and they are effectively designed.***

**DISBURSEMENTS**

Are all disbursements, except from petty cash, made by check?

* Insert narrative here.

Are there procedures for disbursement approval and warrant or check signing? (Board or internal claims auditor reviews all payments).

* Insert narrative here.

-Does the system prevent checks from being added to the warrant after it has been approved for payment?

* Insert narrative here.

Are manual signature stamps prohibited from being used on Purchase Orders and Checks?

* Insert narrative here.

Are signature disks maintained in the custody of the person whose signature is on the disk?

* Insert narrative here.

Are checks or warrants issued to “cash” or “bearer” prohibited?

* Insert narrative here.

Is the signing of blank checks prohibited?

* Insert narrative here.

Is there a policy in place describing procedures for purchases made with the ntity’s credit or purchasing card?

* Insert narrative here.

**KEY CONTROL**

**The system prevents checks from being added to warrant after warrant approval?**

***Controls are implemented and they are effectively designed.***

**Signature Disks are properly safeguarded?**

***Control not applicable.***

**Claims Auditor/Board approves all payments?**

***Controls are implemented and they are effectively designed.***

**ACCOUNTS PAYABLE, ENCUMBRANCES, OBLIGATIONS**

Are accounts payable periodically reviewed to ensure they are recorded in the proper period?

* Insert narrative here.

Are accounts payable periodically reviewed to ensure that all good and services received are accompanied by an appropriate invoice?

* Insert narrative here.

If encumbrances are used, are outstanding purchase orders reconciled to the reserve for encumbrances on a monthly basis, and is this reconciliation reviewed?

* Insert narrative here.

Are encumbrance entries recorded only on the basis of approved purchase order?

* Insert narrative here.

Are there procedures to ensure that accounts payable and encumbrances are applied against the appropriate account?

* Insert narrative here.

**KEY CONTROL**

**Encumbrances are recorded on basis of approved Purchase Order?**

***Control not applicable.***

**Are accounts payable coded to the correct account code?**

***Controls are implemented and they are effectively designed.***

**GRANTS & PURCHASING**

Under the terms of OMB Circular A-87, certain costs and expenditures incurred by state and local governmental units are allowable only if certain criteria or conditions are met, if there is specific approval, or are unallowable. Has the recipient established policies and procedures to preclude charging federal financial assistance/award programs with unallowable costs and expenditures?

* Insert narrative here.

Does a responsible official make sure that costs charged to direct and indirect cost centers are in accordance with applicable grant agreements and federal management circulars pertaining to cost principals?

* Insert narrative here.

If an entity has awards or programs with matching requirements, levels-of-effort, and earmarking limitations, does a responsible official monitor to ensure that requirements and limitations were met?

* Insert narrative here.

If an entity has awards or programs with matching requirements, levels-of-effort, and earmarking limitations, does a responsible official monitor to ensure that amounts claimed or used for matching were determined in accordance with applicable laws and regulations?

* Insert narrative here.

Is the accounting distribution reviewed to ensure that expenditures are charged to proper capital project, and fixed asset accounts are updated when a project is completed?

* Insert narrative here.

Does the Utility have a Board Adopted Procurement Policy?

* Insert narrative here.

How are invoices processed?

* Insert narrative here.

**CAPITAL EXPENDITURES**

Is there a policy describing when the board must approve change order?

* Insert narrative here.

If there is a policy, what is the threshold for change order?

* Insert narrative here.

Has the government hired an architect to approve or monitor capital projects?

* Insert narrative here.

If architect or engineer is hired, does he or she have to approve change orders?

* Insert narrative here.

Has the government charged any capital project expense to the general fund?

* Insert narrative here.

**KEY CONTROL**

**Architect approves change orders and applications for payment?**

***Controls are implemented and they are effectively designed.***

**Board approves change orders when required?**

***The board does not have to approve change orders.***

**OVERALL ASSESSMENT OF RISK OF**

**PROCUREMENT AND ACCOUNTS PAYABLE**

*Based upon the narratives and questions documented above, and my understanding of the respective controls in place, I have determined that the control risk of the Procurement and Accounts Payable business function at* ***LOW.***

**SECTION VI**

**HUMAN RESOURCES AND EMPLOYEE COMPENSATION**

**SEGREGATION OF DUTIES**



Are payroll checks distributed by an employee who is not responsible for reviewing the Payroll Audit Report?

* Insert narrative here.

Are payroll checks distributed by an employee who is not involved in the payroll preparation process?

* Insert narrative here.

**KEY CONTROL**

**Payroll processing, supervision and timekeeping are segregated?**

***Controls are implemented and they are effectively designed.***

**PERSONNEL**

Are all changes in employment (additions and terminations), salary and wage rates, and payroll deductions properly authorized approved, and documented?

* Insert narrative here.

Are notices of additions, separations, and changes in salaries, wages, and deductions promptly reported to the payroll department?

* Insert narrative here.

Are appropriate payroll records maintained for accumulated employee benefits (vacation, pension, etc.)?

* Insert narrative here.

Do written personnel policies exist?

* Insert narrative here.

Are controls established to ensure that payroll costs charged to grants are in compliance with grant agreements?

* Insert narrative here.

Are grant payroll certifications prepared?

* Insert narrative here.

Are wages at or above the federal minimum wage?

* Insert narrative here.

Are requests for new personnel originated only by department heads or other responsible officials?

* Insert narrative here.

Are requests for new personnel originated only by department heads or other responsible officials?

* Insert narrative here.

Does the personnel policy require an employment application, and investigation from new employees? (Investigation should include checking employee’s background, former employers, and references)?

* Insert narrative here.

Does a responsible official periodically review classes of position and pay rates for correspondence with the provisions of the salary and wage ordinance, or other documents designating rate of pay of employee?

* Insert narrative here.

Are personnel files maintained; do they contain information on employment application and new employee investigation, date employed, pay rates, changes in pay rates and position, payroll deduction authorizations, earnings records, W-4’s, I-9’s, termination data, where appropriate?

* Insert narrative here.

Are written termination notices required that properly document reasons for termination and require approval of an appropriate official?

* Insert narrative here.

Do physical controls exist over personnel records that prevent their loss or use by unauthorized personnel?

* Insert narrative here.

**KEY CONTROL**

**Changes in employment (hiring, raises, etc.) are properly authorized and documented?**

***Controls are implemented and they are effectively designed.***

**Requests for new personnel are originated by department heads or the board?**

***Controls are implemented and they are effectively designed.***

**Personnel files are maintained for pay rates, payroll deductions, etc.?**

***Controls are implemented and they are effectively designed.***

**Physical controls exist over personnel records?**

***Controls are implemented and they are effectively designed.***

**HEALTHCARE (EMPLOYEE AND RETIREE)**

Describe the process for tracking employee health insurance: (i.e. adding individuals to insurance; changing plans, etc.).

* Insert narrative here.

Does the entity pay 100% of any retiree’s health insurance?

* Insert narrative here.

For retirees who pay a portion of their health insurance, what are the procedures for billing their portion and collection procedures for past-due payments?

* Insert narrative here.

**KEY CONTROL**

**There are procedures for monitoring retiree health insurance?**

***Controls are implemented and they are effectively designed.***

**There are procedures for monitoring employee health insurance?**

***Controls are implemented and they are effectively designed.***

**Consortium plan is monitored to ensure reserves are adequate, and liability is recorded?**

***Not applicable.***

**There are procedures for monitoring the payroll processing for health insurance?**

***Controls are implemented and they are effectively designed.***

**SUPERVISION/TIMEKEEPING**

Are hours worked, overtime hours, and other special benefits reviewed and approved by the employee’s supervisor prior to preparing payroll?

* Insert narrative here.

Describe the specific process for authorizing overtime?

* Insert narrative here.

Is the time clock placed I a position where it can be observed by a supervisor to ensure employees are punching their own time cards?

* Insert narrative here.

Are there procedures for authorizing, approving, and recording vacations, holidays, and sick leave and is compensatory time controlled and approved?

* Insert narrative here.

**KEY CONTROL**

**Hours worked are approved by a supervisor prior to payroll processing?**

***Controls are implemented and they are effectively designed.***

**PAYROLL PROCESSING**

Describe the payroll processing procedures.

* Insert narrative here.

Is access to the payroll data on the computer system limited to those who are authorized to make changes?

* Insert narrative here.

Is a comparison of amounts appropriated to budget reviewed by appropriate officials?

* Insert narrative here.

Are payroll advances to officials and employees prohibited?

* Insert narrative here.

Are there controls to makes sure proper reporting requirements have been made (i.e. 941’s)?

* Insert narrative here.

Are there procedures in place to ensure other withholdings, such as 403(b) are remitted in a timely mater?

* Insert narrative here.

Are total W-2’s / 941’s reconciled to the general ledger and payroll register?

* Insert narrative here.

Are current payrolls compared with previous payrolls and variances investigated and documented?

* Insert narrative here.

Are payroll registers reviewed after processing, reconciled to control totals, and approved by an appropriate level of management?

* Insert narrative here.

**KEY CONTROL**

**Payroll registers are reviewed and approved prior to payments made?**

***Controls are implemented and they are effectively designed.***

**Access to payroll on software is limited to authorized personnel?**

***Controls are implemented and they are effectively designed.***

**W-2’s / 941’s are reconciled to the general ledger?**

***Controls are implemented and they are effectively designed.***

**OVERALL ASSESSMENT OF RISK OF**

**HUMAN RESOURCES AND EMPLOYEE COMPENSATION**

*Based upon the narratives and questions documented above, and my understanding of the respective controls in place, I have determined that the control risk of the Human Resources and Employee Compensation business function at* ***LOW.***

**SECTION VII**

**DEBT SERVICE AND DEBT SERVICE EXPENDITURES**

**MANAGING BORROWINGS**

Are financial commitments approved by the board when required?

* Insert narrative here.

Are debt agreements reviewed for the appropriate classification of outstanding debt?

* Insert narrative here.

Is a reconciliation of outstanding debt instruments to the general ledger prepared and reviewed timely?

* Insert narrative here.

Are statements received from lenders reconciled to the subsidiary ledger (debt register) and any differences investigated?

* Insert narrative here.

Are there review procedures in place to determine compliance with debt agreements restrictions and procedures, and in adherence to those procedures periodically reviewed by an appropriate person?

* Insert narrative here.

Are lease agreements reviewed for capitalization?

* Insert narrative here.

Does a responsible official review use of proceeds from bond sales to ensure that proceeds are used in accordance with legal requirements?

* Insert narrative here.

If paying agents are used for the payment of bonds and interest, does the government unit receive periodic reports of bonds outstanding and unclaimed interest?

* Insert narrative here.

Does a responsible official perform an annual review for compliance with IRS arbitrage requirements?

* Insert narrative here.

Are calculations and adjustments related to current or advance debt refunding reviewed and approved by an appropriate person?

* Insert narrative here.

**KEY CONTROL**

**Fiscal commitments are approved by the board when required?**

***Controls are implemented and they are effectively designed.***

**Outstanding debt is reconciled to the general ledger?**

***Controls are implemented and they are effectively designed.***

**OVERALL ASSESSMENT OF RISK OF**

**DEBT SERVICE**

*Based upon the narratives and questions documented above, and my understanding of the respective controls in place, I have determined that the control risk of the Debt Service business function at* ***LOW.***

**SECTION VIII**

**INVENTORY**

**ELECTRIC INVENTORY**

What are the procedures for ordering, counting, and safeguarding inventory?

* Insert narrative here.

Does management periodically assess whether excess, slow moving, obsolete, and defective inventories are identified and accounted for on a timely basis?

* Insert narrative here.

What is the costing method used for pricing inventory?

* Insert narrative here.

Does management review and approve the final priced inventory listing, and any changes to inventory records?

* Insert narrative here.

Do only authorized individuals have access to and ability to make changes to the inventory master file?

* Insert narrative here.

Are inventory details or perpetual records reviewed and reconciled to the general ledger?

* Insert narrative here.

Is inventory periodically counted, costed, and compared to control accounts and perpetual records?

* Insert narrative here.

Are periodic physical inventories taken and balanced to the perpetual records?

* Insert narrative here.

**KEY CONTROL**

**Inventory is properly safeguarded?**

***Controls are implemented and they are effectively designed.***

**Inventory is reconciled to perpetual records?**

***Controls are implemented and they are effectively designed.***

**CENTRAL GARAGE**

What are the procedures for ordering, counting, and safeguarding inventory?

* Insert narrative here.

What are the procedures for ordering, counting, and safeguarding fuel?

* Insert narrative here.

Does management periodically assess whether excess, slow moving, obsolete, and defective inventories are identified and accounted for on a timely basis?

* Insert narrative here.

What is the costing method used for pricing inventory?

* Insert narrative here.

Does management review and approve the final priced inventory listing, and any changes to inventory records?

* Insert narrative here.

Do only authorized individuals have access to and ability to make changes to the inventory master file?

* Insert narrative here.

Are inventory details or perpetual records reviewed and reconciled to the general ledger?

* Insert narrative here.

Is inventory periodically counted, costed, and compared to control accounts and perpetual records?

* Insert narrative here.

Are periodic physical inventories taken and balanced to the perpetual records?

* Insert narrative here.

**KEY CONTROL**

**Access to the fuel tank is limited to authorized personnel?**

***Controls are implemented and they are effectively designed.***

**Fuel usage is reconciled to fuel purchases?**

***Controls are implemented and they are effectively designed.***

**Ordering is limited to authorized personnel?**

***Controls are implemented and they are effectively designed.***

**Inventory is counted and reconciled to records?**

***Controls are implemented and they are effectively designed.***

**OVERALL ASSESSMENT OF RISK OF**

**INVENTORY**

*Based upon the narratives and questions documented above, and my understanding of the respective controls in place, I have determined that the control risk of the Inventory business function at* ***LOW****.*

**SECTION IX**

**INFORMATION TECHNOLOGY AND COMPUTER CONTROLS**

**COMPUTER CONTROLS**

What computer software’s is the governmental unit using?

* Insert narrative here.

**IT RISK MANAGEMENT**

Are Information Technologies reviewed regularly for risks, and any identified risk appropriately addressed?

* Insert narrative here.

**SYSTEM RELIABILITY**

Is there a backup retention policy in existence that specifies how often backups are to be performed, how long they are retained and where it is stored?

* Insert narrative here.

Are application data and file server backups performed to minimize the risk of lost or corrupted data?

* Insert narrative here.

Are there appropriate environmental controls (i.e. fire/smoke detection, temperature controls, and alternate power supply in existence to ensure the security and reliability of equipment?

* Insert narrative here.

Are there controls over interfaces between systems to ensure complete and accurate transfer of data?

* Insert narrative here.

Is batch processing controls and monitored to ensure proper completion?

* Insert narrative here.

Is there a Disaster Recovery plan in place?

* Insert narrative here.

Is there a process to ensure system incidents, problems, and errors are reported, analyzed, and reported in a timely manner.

* Insert narrative here.

**KEY CONTROL**

**IT is evaluated regularly for risks?**

***Controls are implemented and they are effectively designed.***

**Data backups are done regularly?**

***Controls are implemented and they are effectively designed.***

**SECURITY AND ACCESS TO PROGRAM AND DATA**

What are the procedures for adding, closing and modifying user accounts (access rights)?

* Insert narrative here.

Are access rights removed or suspended in a timely manner when employees are terminated?

* Insert narrative here.

Do procedures exist that are followed to maintain the effectiveness of authentication and access mechanism (i.e. are passwords changed, are there lockouts for failed attempts, etc.)?

* Insert narrative here.

Are there controls in place to ensure all users are identified uniquely (i.e. no shared users)?

* Insert narrative here.

Do individuals only have access to applications or files that are necessary to perform their duties?

* Insert narrative here.

Are master file change logs for Accounts Payable and Payroll, showing all changes to payroll and vendor information reviewed by management to ensure it reflects accurate and complete information?

* Insert narrative here.

Is physical access to areas, file servers, off-line data areas, or other sensitive areas appropriately restricted to authorized personnel?

* Insert narrative here.

Does network security include firewalls, wireless security, routers, and virus protection software?

* Insert narrative here.

Is there adequate segregation of duties between the System Administrator who is able to make changes to programs or systems and those performing transactions and accounting duties?

* Insert narrative here.

**KEY CONTROL**

**There is adequate segregation of duties between accounting and system programming?**

***Controls are implemented and they are effectively designed.***

**Server room has protected access?**

***Controls are implemented and they are effectively designed.***

**Access rights are appropriate for job title?**

***Controls are implemented and they are effectively designed.***

**There are approval procedures for changing and adding users?**

***Controls are implemented and they are effectively designed.***

**PROGRAM CHANGES AND SYSTEM ACQUISITION**

Describe the controls over implementing new software, approving major software changes and any software that is developed in-house.

* Insert narrative here.

**KEY CONTROL**

**System/software changes are appropriately approved?**

***Controls are implemented and they are effectively designed.***

**System/software changes are tested first before being applied to live data?**

***Controls are implemented and they are effectively designed.***

**OVERALL ASSESSMENT OF RISK OF**

**INFORMATION TECHNOLOGY AND COMPUTER CONTROLS**

*Based upon the narratives and questions documented above, and my understanding of the respective controls in place, I have determined that the control risk of the Information Technology and Computer Controls business function at* ***LOW***