



**Internal Control Manual for Use by State Departments  
and Independent Agencies**

**Volume II**

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**General Accounting Division  
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**State of Maryland  
Internal Control Manual for Use by State Departments  
and Independent Agencies**

**Volume II**

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## **Instructions for Completing Form IC-1**

### **Analysis of the General Control Environment**

This form is the first step in the risk assessment process. The form contains a series of statements covering the eight general control environment factors. It allows managers to assess the control environment for their unit, and it can help reveal potential weaknesses.

For each statement the manager must decide whether his or her unit meets the objective. Some of the statements, however, might be difficult to answer with an absolute yes or no. As a manager, you might know your unit is weak in a particular area and could use some strengthening. Accordingly, this form includes a column labeled "Needs Development." If you check this column, you are stating that, although improvement is needed, the degree of risk is relatively low. All "No" answers and "Needs Development" answers should be addressed. Any compensating controls or other mitigating factors, should be noted in the comments section. Indicate and discuss any corrective action needed.

Specific instructions for completing this form are:

1. Complete the heading with the department name, department code, assessable entity name, and assessable entity code provided by the Internal Control Coordinator.
2. Record your assessment for each factor by placing a check mark in the appropriate column. The column "N/A" should be used when the factor is not applicable. A check in the "Yes" column indicates the factor is in practice, and a check in the "No" column indicates the factor is not in practice. Use the column designated "Needs Development" when a factor is in practice, but needs strengthening.
3. Use the comments column to describe any compensating controls or other mitigating factors that may be in place. Note any corrective action which is needed in this column and on Form IC-4.
4. The preparer and reviewer should sign and date this form.

**State of Maryland  
Risk Assessment  
Analysis of the General Control Environment**

Department: \_\_\_\_\_  
Assessable Entity: \_\_\_\_\_

Prepared by: \_\_\_\_\_  
Reviewed by: \_\_\_\_\_  
Code: \_\_\_\_\_  
Code: \_\_\_\_\_

Date: \_\_\_\_\_  
Date: \_\_\_\_\_

Factor	Assessment:			Needs Development	Comments
	N/A	Yes	No		
<b>A. <u>Management Attitude</u></b>					
1. Management of this assessable entity understands the internal control system in the entity.					
2. Management has communicated a commitment to strong internal controls (preferably in writing) to employees during the past year.					
3. Management periodically reviews internal controls to ensure that they are being enforced.					
<b>B. <u>Organization Structure</u></b>					
1. The organizational chart is current.					
2. The organizational chart is in line with the program/budget structure.					
3. Lines of authority and responsibility within the assessable unit are clearly defined.					
4. Written functional statements exist and are consistent with the organizational chart.					
5. Goals and objectives for the unit are written and current.					
6. Written position descriptions exist, are current and are consistent with the functional statement.					
7. Sufficient flexibility exists in the office's structure to deal with changing circumstances.					
8. The organization structure provides for adequate supervision for each employee.					

Factor	Assessment:			Needs Development	Comments
	N/A	Yes	No		
<b>C. <u>Personnel</u></b>					
1. Personnel practices include:					
a. A code of conduct					
b. Provisions for conflict of interest disclosures.					
2. Accurate performance standards exist and are current.					
3. Performance standards are consistent with the operating plans.					
4. Performance evaluations are completed periodically for all employees.					
5. Managers' performance standards include provisions for maintaining adequate internal controls.					
6. Reward system is based on employee performance.					
7. Training is sufficient to ensure that all employees are competent to perform the work assigned.					
8. Turnover is low in this entity.					
9. Staffing levels are adequate.					
10. Employees are adequately supervised.					
<b><u>Position Classification</u></b>					
11. Supervisory personnel know what factors are significant in classifying the positions under their supervision.					
12. Supervisors are giving assignments and delegating responsibilities in line with employees' official position description.					
13. Maximum efficiency in the use of manpower is a primary consideration.					

Factor	Assessment:			Needs Development	Comments
	N/A	Yes	No		
14. All employees have copies of their current position descriptions.					
15. The Assessable Entity Manager has copies of the current position descriptions of the employees he/she supervises.					
<u>Recruiting</u>					
16. Management understands that the policy of the Equal Employment Opportunity (EEO) program is to appoint, train, utilize and promote employees without regard to race, color, religion, sex or national origin.					
17. Management uses the probationary period to determine the fitness and capacity of employees for continued service.					
<u>Performance Evaluation</u>					
18. Standards of performance are discussed with employee(s) upon entrance on duty.					
19. The standards of performance program is used to improve quality and quantity of work and to develop employees for future assignments.					
20. Management fully discusses annual performance evaluations with employee(s).					
21. The performance element ratings are objective and realistic.					
22. Management warns marginal employees about specific performance deficiencies at least 60 days in advance of due date for a within-grade step increase.					
<u>Employee Development</u>					
23. Orientation training is conducted for new employees.					

Factor	Assessment:			Needs Development	Comments
	N/A	Yes	No		
24. Management personnel are trained in existing personnel policies.					
25. Employees are trained in changes made in program policies, procedures, and practices.					
26. Performance rating results do not indicate a need for remedial training.					
27. Employees have been invited to inform their supervisors of their training needs as they see them.					
28. Potential supervisors are being provided the training needed to (a) know their roles as part of the management team and (b) motivate the people they supervise.					
<u>Employee Management Relations</u>					
29. Each employee has a copy of an Employee Handbook.					
30. Management is effective in carrying out his/her person-to-person relationships with employees.					
31. Employees are aware of their rights to communicate with any official of rank higher than their immediate supervisor.					
32. Management is alert for possible conflict of interest situations in order to protect the integrity of the agency.					
33. All employees are fully informed about what actions to take if automobile or work-related accidents occur.					
<u>D. Delegation of Authority and Responsibility</u>					
1. Delegations are current and in writing.					
2. Delegations properly reflect the segregation of duties concept, i.e., no one employee handles all phases of a critical transaction.					

Factor	Assessment:			Needs Development	Comments
	N/A	Yes	No		
3. Delegations grant officials the necessary authority to carry out the functions for which they are responsible without overlap, duplication and conflicts of duties and responsibilities.					
4. Job descriptions are descriptive of the jobs actually performed.					
5. Employees are held accountable for performance and results achieved.					
6. Managers routinely follow-up on delegations to subordinates.					
<u>E. Policies and Procedures</u>					
1. All policies and procedures affecting the assessable entity are current and in writing.					
2. Policies and procedures are clearly stated and systematically communicated, e.g., manuals, handbooks.					
3. Policies and procedures are simple and easy to understand.					
4. Policies and procedures are not cumbersome and facilitate work performance.					
5. Policies and procedures support the system of internal control.					
<u>F. Planning, Budgeting and Reporting Practices</u>					
1. A long range planning process exists and is used.					
2. The budgeting system is integrated with the planning process.					
3. The accounting system is integrated with					

Factor	Assessment:			Needs Development	Comments
	N/A	Yes	No		
the budgeting system, e.g., expenditure reports are available for comparison to the operating budget, past performance or budget allowances.					
4. Plans and budgets are effectively communicated throughout the agency and assessable entity.					
5. There are clearly established levels of operational and financial accountability.					
6. The Manager(s) is provided an operating budget and routinely monitors actual expenditures against the operating budget.					
7. Reports are timely, accurate and relevant.					
8. When problem areas are discovered, corrective action is taken immediately.					
9. The Manager and employees are accountable only for matters within their control.					
10. Financial office services are adequate and timely.					
<b>G. <u>Organizational Checks and Balances</u></b>					
1. Program evaluations/management reviews are performed and documented routinely.					
2. Routine audits are performed.					
3. Reviews, audits and other control activities focus on areas of highest risk.					
4. Established procedures exist for tracking audit findings including their correction.					
5. Internal control objectives have been identified and developed.					

Factor

Assessment:

Form IC-1

Factor	Assessment:			Needs Development	Comments
	N/A	Yes	No		
6. Review recommendations are acted upon in a timely fashion.					
<b>H. <u>Information Technology (IT) Systems*</u></b>					
1. Internal control procedures have been documented and are reviewed periodically.					
2. Controls exist to detect unauthorized use of IT systems.					
3. Data are safeguarded to prevent unauthorized access, improper changes or loss.					
4. Procedures are in place to ensure data entered are timely, accurate, authorized and complete.					
5. Procedures are in place to ensure data outputs are complete, accurate and timely.					
*If IT equipment is controlled by the assessable unit.					
<b>I. <u>Unique Factors</u></b>					
1. The activity is not subject to external forces or pressures which make it vulnerable to errors.					
2. The public perceives this activity to be adequately controlled.					

## **Instructions for Completing Form IC-2 Analysis of Inherent Risks**

This form is the second step in the risk assessment process. This questionnaire will provide a preliminary indication of the assessable entity's areas of vulnerability. Each statement is worded so that a "No" answer indicates an area of high risk. The form is designed to allow ratings from "No Risk" to "Extreme Risk" for each of the listed factors.

Because of the nature of the analysis, the ratings will be judgmental and are compiled only to highlight areas of susceptibility and to assist in the decision making process.

The comments section of this form should discuss the risks involved for all "No" answers and where "Some Risk" is indicated in the "Yes" column. Explain the risks and assess a dollar value where possible for later use in the evaluation.

Once the "Evaluation of Safeguards", Form IC-3, is completed and a list of the "No" answers compiled, make a cost-benefit analysis to determine if and when corrective action measures should be initiated and what those measures should include. During this decision-making process, use the results of the "Analysis of Inherent Risks". For example, several high risk factors combined with internal control weaknesses in affected areas could indicate a unit which is highly vulnerable and needs immediate detailed review and corrective action.

Instructions for completing Form IC-2 are:

1. Complete the heading using the same information shown on Form IC-1.
2. Record your judgmental assessment as appropriate in the columns provided. If the factor is not applicable, check the column designated "N/A." If the answer to the factor is "Yes", check the appropriate column. If there is some/minor risk, it should be explained in the comments column. If the answer is "No", you should estimate the dollar value of the related risk. You should further evaluate the risk as high or extreme and check in the appropriate column together with the estimate of dollar risk if appropriate.
3. You should use the comments column to record pertinent details and discussion for all "No" answers and "Yes-Some Risk" answers.
4. The preparer and reviewer should sign and date the form.

**State of Maryland  
Risk Assessment  
Analysis of the Inherent Risks**

Department: \_\_\_\_\_ Code: \_\_\_\_\_ Prepared by: \_\_\_\_\_ Date: \_\_\_\_\_  
 Assessable Entity: \_\_\_\_\_ Code: \_\_\_\_\_ Reviewed by: \_\_\_\_\_ Date: \_\_\_\_\_

Factor		<u>Assessment:</u>				<u>Comments:</u>
	N/A	Yes	Yes	No	No	
		No Risk	Some Risk	High Risk	Extreme Risk	

A. Purpose, Objectives and Characteristics

1. The assessable entity has clear and concise legislation and/or regulations.					
2. The assessable entity has clear; concise and current instructions and directives.					
3. The assessable entity is not subject to a high degree of technical regulation.					
4. The assessment entity has clear and concise missions, goals and objectives.					
5. The assessable entity does not involve a high degree of technical or administrative complexity.					
6. The assessable entity does not handle information which is sensitive, proprietary or classified.					
7. Administration of the assessable entity does not involve passing funds through other organizations or individuals, e.g., contractors.					

Factor	N/A	<u>Assessment:</u>				<u>Comments:</u>
		Yes No Risk	Yes Some Risk	No High Risk	No Extreme Risk	
8. Administration of the assessable entity does not involve passing funds to third party recipients for further action or benefit, e.g., loans, grants.						
9. There is sufficient time to accomplish required activities in this assessable entity without taking shortcuts to meet severe time constraints.						
10. The assessable entity does not handle cash receipts.						
11. The assessable entity does not involve: (rate each separately) approval of applications granting of authority issuance of grants issuance of loans issuance of licenses or permits inspections enforcement						
12. The assessable entity does not offer individuals an opportunity to receive benefits to which they are not entitled or monies for which they are not eligible.						
13. It is not difficult to establish and maintain accountability for: (rate each separately)  new loans made						

Factor	N/A	<u>Assessment:</u>				<u>Comments:</u>
		Yes No Risk	Yes Some Risk	No High Risk	No Extreme Risk	
ongoing loan servicing delinquent loan collection collateral						
<b>B. <u>Budget Level</u> (circle appropriate answer - ignore yes/no)</b>						
1. The assessable entity is involved in the collection of funds within the following range:		<\$100,000	\$100,000 - 500,000	\$500,000 - 1,000,000	>\$1,000,000	
2. The assessable entity has an annual budget within the following range:		<\$1,000,000	\$1-20 Million	\$20-50 Mill.	>\$50 Million	
3. The assessable entity controls tangible assets, e.g., property and equipment, within the following dollar range:		<\$100,000	\$100,000 - 500,000	\$500,000 - 1,000,000	>\$1,000,000	
4. The assessable entity activity controls the following percentage of total Department funds by specific budget allocation.		<1%	1-6%	6-9%	>9%	
<b>C. <u>Procurement Assistance</u></b>						
1. This assessable entity does not rely on contractors to perform its work.						
2. The use of contractors does not create security problems within the entity.						
3. The use of contractors does not create control problems over government-owned physical assets, e.g., equipment.						

Factor	N/A	<u>Assessment:</u>				<u>Comments:</u>
		Yes No Risk	Yes Some Risk	No High Risk	No Extreme Risk	
4. Contracts are awarded under competitive bidding procedures.						
5. The entity has the right to review the contractor's books and accounting records and property accounting system.						
<u>D. Age and Life Expectancy</u>						
1. The assessable entity has been in existence for more than two years.						
2. The assessable entity is not undergoing or expected to experience significant change, reorganization or phase-out within the next two years.						
3. The assessable entity has not experienced significant change, reorganization or phase-out within the last two years.						
<u>E. Degree of Centralization</u>						
1. The responsibility for monitoring and controlling the assessable entity exists at a centralized organizational level.						
2. Definable responsibility for the assessable entity's operations is assigned to a specific individual(s).						
3. The physical location of the assessable unit enables it to use centralized services.						

Factor	N/A	<u>Assessment:</u>				<u>Comments:</u>
		Yes No Risk	Yes Some Risk	No High Risk	No Extreme Risk	
4. The degree of centralization is appropriate for the assessable entity.						
<b>F. <u>Special Concerns or Impacts</u></b>						
1. The assessable entity has not been subject to special attention from the following groups within the last two years: (rate each separately)						
Governor						
State Legislature						
Comptroller's Office						
Legislative Auditor						
Media						
Litigation						
Legislative deadlines						
Business, social or economic phenomena						
2. The nature of the assessable entity is such that there is little potential for external pressures aimed at obtaining management decisions favorable to special interests.						
3. There is little special interest group activity in the assessable entity.						
4. Few members of the public are directly affected by changes in the program or activities of this assessable entity.						
5. Industry or other non-governmental						

Factor	N/A	<u>Assessment:</u>				<u>Comments:</u>
		Yes No Risk	Yes Some Risk	No High Risk	No Extreme Risk	
organizations provide little or no competing products or services.						
G. <u>Prior Reviews</u>						
1. The assessable entity has had prior reviews performed that showed no internal control weaknesses.						
2. Prior comments and recommendations have been addressed and corrected and corrections are still working and appropriate.						

## **Instructions for Completing Forms IC-3.1 and IC-3.2**

### **Evaluation of Safeguards**

The third step in the vulnerability assessment process, the "Evaluation of Safeguards", is a series of questions that will evaluate the existence and adequacy of the entity's controls. This questionnaire is divided into two sections; IC-3.1, the Internal Accounting and Administrative Control Questionnaire and IC-3.2, the Information Technology (IT) Questionnaire. Departments maintaining their own IT operations should complete the IT questionnaire.

A "Yes" answer on the questionnaire indicates an appropriate control exists and a "No" answer indicates a weakness because of the lack of a control. Not all weaknesses can be corrected. However, the decision to perform the corrective action will be made at the next step. (See "Instructions for completing Form IC-4").

Specific instructions are:

1. Complete the information in the heading of the index page.
2. All questions should be answered "Yes", "No" or "Not Applicable."
3. For "No" responses, the comments section should describe any corrective action taken immediately, any compensating controls that may exist or the corrective action needed to remedy the weakness.
4. The preparer and reviewer should sign and date the first page of each form.

All "No" answers requiring further action should be extracted and summarized at the next step, IC-4.

**State of Maryland  
Risk Assessment  
Evaluation of Safeguards**

**Form IC-3.1  
Cover Sheet**

**Internal Accounting and Administrative Control Questionnaire**

Department:	Code:
Assessable Entity:	Code:

Section

- A. Cash
- B. Accounts Receivable
- C. Revenues
- D. Payroll
- E. Procurement of Goods and Services and Other Disbursements
- F. Procurement of Major Repair and New Facility Construction
- G. Corporate Purchasing Card
- H. Inventory
- I. Financial Reporting
- J. Grant Administration
- K. Information Technology - PC Desktops/laptops
- L. Loss Management

**State of Maryland  
Risk Assessment**

**Evaluation of Safeguards**

**Department:** \_\_\_\_\_  
**Assessable Entity:** \_\_\_\_\_

**Code:** \_\_\_\_\_ **Prepared by:** \_\_\_\_\_ **Date:** \_\_\_\_\_  
**Code:** \_\_\_\_\_ **Reviewed by:** \_\_\_\_\_ **Date:** \_\_\_\_\_

**Internal Accounting and Administrative Control Questionnaire**

**Form IC-3.1**

<u>Factor</u>	Yes	No	N/A	Remarks
<u>A. Cash</u>				
1. General				
a. Does your entity have written instructions for cash handling activities?				
b. Does a listing exist of all mail, over-the-counter, checking account and imprest fund locations?				
c. Does a listing exist of those individuals authorized to handle cash at each of the locations?				
d. Is someone assigned responsibility to periodically review cash handling activities within the entity and to update procedures and listings?				
2. Segregation of Duties				
Control Objective - A proper segregation of duties should exist to safeguard assets and provide appropriate checks and balances.				
a. Are the responsibilities for collecting receipts and preparing deposits segregated from those for recording cash receipts and general ledger entries?				

**Internal Accounting and Administrative Control Questionnaire**

**Form IC-3.1**

<u>Factor</u>	Yes	No	N/A	Remarks
b. Is the responsibility for cash receipts segregated from those for cash disbursements?				
c. Is the responsibility for preparing and approving bank account reconciliations segregated from the other responsibilities for cash receipts or disbursements.				
3. Procedural Controls - Cash Receipts Control Objective: Monies received by State agencies for the account of the State or in a trust capacity for others are controlled, protected and promptly deposited in a designated financial institution.				
a. Do those responsible for opening the mail make listings of mail receipts?				
b. Are checks restrictively endorsed "For Deposit Only" immediately upon receipt?				
c. Are records made of over-the-counter receipts by those responsible for "point-of-sales" activities? (i.e., Are prenumbered receipt forms, prenumbered tickets, cash register records or some other controlled forms used to record "over-the-counter" receipts?)				
d. Are prenumbered receipt forms and tickets accounted for as "issued", "void" or "on hand?"				
e. Are perpetual inventory records maintained for all prenumbered forms?				
f. Does each employee responsible for collections have a separate cash drawer and is individual accountability				

**Internal Accounting and Administrative Control Questionnaire**

**Form IC-3.1**

<u>Factor</u>	Yes	No	N/A	Remarks
maintained?				
g. Are cash register cumulative control totals or other types of controlled forms (such as prenumbered receipts forms or tickets) reconciled with collections on a daily basis?				
h. Do supervisory personnel approve voided transactions and credit transactions?				
i. Do adequate physical facilities exist to safeguard and store receipts?				
j. Are receipts deposited daily or, at a minimum, weekly or when \$500 is accumulated?				
k. Does a person, who doesn't collect, record or deposit receipts, reconcile those receipts with validated bank deposit tickets to ensure that receipts are deposited intact?				
l. Are all differences fully investigated?				
m. Are supervisory personnel advised of all unresolved differences?				
n. Are collections that differ from the amount due deposited intact?				
o. Do procedures exist to ensure that overpayments are subsequently refunded and underpayments collected?				
p. Are reconciliations performed between certificates of deposit and other "R*STARS" deposits (STO's courtesy deposits, chargebacks) which support revenue transfers and the related				

**Internal Accounting and Administrative Control Questionnaire**

**Form IC-3.1**

<u>Factor</u>	Yes	No	N/A	Remarks
"R*STARS" reports? Are cash receipts from separate collection locations reported to the General Accounting Division on a timely basis?				
q. Are all deposits adequately collateralized?				
r. Are all employees who handle cash adequately bonded?				
s. Is it cost effective for the receipts to be processed directly by the agency rather than by a financial institution's lock box system? Is the receipt collection activity as centralized as possible?				
t. Are payers instructed to make checks payable to the State of Maryland or your entity?				
u. Are dishonored checks adequately controlled and collected promptly?				
v. Are persons responsible for processing or recording cash receipts prohibited from receiving returned checks?				
w. Are trends in receivables developed and examined by management?				
4. Procedural Controls - Checking Accounts (These questions apply only to entities that have checking accounts.)				
Control Objective: State agencies should use only checking accounts which have been justified and authorized. These are to be subject to disciplined control procedures.				
a. Are all checking accounts which your agency uses approved by the Comptroller's Office and Treasurer's Office?				

**Internal Accounting and Administrative Control Questionnaire**

**Form IC-3.1**

<u>Factor</u>	Yes	No	N/A	Remarks
b. Are the accounts adequately collateralized?				
c. Are checks restrictively endorsed "For Deposit Only" immediately upon receipt?				
d. Are receipts recorded immediately?				
e. Does a person who does not collect, record or deposit receipts reconcile those receipts with validated bank deposit tickets to ensure that receipts are deposited intact?				
f. Is the checking account used only for its intended and approved use?				
g. Are responsible officials prohibited from signing blank checks?				
h. When a facsimile plate is used, is the plate removed from the check signing machine and safeguarded when the machine is not in use?				
i. Are all receipts and expenditures recorded accurately and promptly in a general ledger account?				
j. Do persons who sign the checks review supporting documents when they sign to determine if the justification is adequate and if the expenditure is consistent with the authorized purpose of the account?				
k. Is an employee other than the custodian responsible for reviewing the documentation supporting the checks and placing the signature on the checks?				

**Internal Accounting and Administrative Control Questionnaire**

**Form IC-3.1**

<u>Factor</u>	Yes	No	N/A	Remarks
l. Is the check signer precluded from signing checks payable to him/her self or to cash?				
m. Are these supporting documents cancelled to prevent reuse and then maintained on file?				
n. Are the checks prenumbered?				
o. Are all checks dated and recorded when prepared?				
p. Are dollar limits established for amounts that can be paid out of the checking account?				
q. Are procedures in effect to ensure that authorized checks are not returned to the preparer for mailing?				
r. Are personnel restricted from using the fund for unintended purposes (e.g., loans)?				
s. Are work related advances reimbursed to the fund on a timely basis?				
t. Are the unissued checks adequately safeguarded against theft or misuse?				
u. Are the voided checks adequately cancelled to preclude negotiability and maintained on file?				
v. Are outstanding checks reviewed monthly for propriety?				
w. Is each bank account reconciled and a fund composition prepared on a monthly basis by someone other than the persons responsible for receiving, depositing and disbursing funds from the account?				

**Internal Accounting and Administrative Control Questionnaire**

**Form IC-3.1**

<u>Factor</u>	Yes	No	N/A	Remarks
x. Are significant reconciling items (e.g. advances) verified on a test basis?				
y. Are all differences fully investigated and are supervisory personnel advised of all unresolved differences?				
z. Do supervisory personnel review and approve the monthly compositions and reconciliations?				
5. Procedural Controls - Advances from the Comptroller's Office Control Objectives: Advances are subject to proper controls, used only for intended purpose and maintained at an appropriate level.				
a. Does the agency's fiscal officer review advances from the Comptroller's Office to establish working funds or petty cash accounts to ensure that the funds are properly managed and excess funds are returned to the Comptroller's Office?				
b. Are temporary advances from the Comptroller's Office returned promptly?				
c. When a write-off of an agency advance is required, are required procedures for the notification and write-off followed?				
d. Is a final reimbursement and reconciliation of the fund made as of June 30th of each year?				
e. Is the payee on the reimbursement check "State agency name, working fund"? for petty cash funds, is payee name for reimbursement checks the designated custodian?				

**Internal Accounting and Administrative Control Questionnaire**

**Form IC-3.1**

<u>Factor</u>	Yes	No	N/A	Remarks
<p>6. Procedural Controls - Petty Cash Funds Control Objective: Petty Cash funds are subject to adequate accountability.</p> <p>a. Is responsibility for each Petty Cash fund assigned to a specific, accountable individual?</p> <p>b. Do adequate physical facilities exist to store Petty Cash funds?</p> <p>c. Are Petty Cash funds segregated from other cash?</p> <p>d. Is there sufficient use to justify the size of each Petty Cash fund?</p> <p>e. Are vouchers used to substantiate cash funds provided to employees for the subsequent purchase of agency related goods or services?</p> <p>f. Are the vouchers signed and dated by the employees receiving the funds?</p> <p>g. Are procedures in effect to ensure that vouchers do not remain outstanding for excessive periods of time?</p> <p>h. Are requests for fund replenishment reviewed by someone other than the fund custodian? Does this review include a review of documents supporting disbursements from the fund? (Note: This review should consider the adequacy of support as well as the propriety of the expenditure.)</p> <p>i. Are personnel restricted from using the fund for</p>				

**Internal Accounting and Administrative Control Questionnaire**

**Form IC-3.1**

<u>Factor</u>	Yes	No	N/A	Remarks
unintended purposes?				
j. Are periodic surprise cash counts performed by someone other than the fund custodian to determine that funds are intact?				
5. Change and Reserve Funds (See Cash Receipts Comments). (These questions apply only to agencies that have cashiering functions.)				
Control Objective: Change and reserve funds are subject to adequate accountability.				
a. Do adequate physical facilities exist to segregate and store change and reserve funds?				
b. Are change and reserve funds balanced daily?				
c. Are periodic surprise cash counts performed by someone other than the cashier to determine that change and reserve funds and currently accumulated collections are intact?				
<u>B. Accounts Receivable</u>				
Control Objective: All valid accounts receivable transactions, and only those transactions, should be recorded as accounts receivable.				
1. Are the accounts receivable ledgers maintained by employees who do not handle cash receipts or their records?				
2. Are the accounts receivable ledgers balanced at least				

**Internal Accounting and Administrative Control Questionnaire**

**Form IC-3.1**

<u>Factor</u>	Yes	No	N/A	Remarks
monthly and the totals reconciled to the general ledger control account?				
3. Are adequate credit and collection procedures in effect?				
4. Are the accounts aged regularly? If so, does an authorized executive review them?				
5. Are statements remitted for all accounts?				
6. Are they sent by an employee who has no access to cash and is independent of all accounts receivable personnel?				
7. Do controls exist over billings to ensure that unauthorized billings are not issued (i.e., numbered bills)?				
8. Are billing disputes promptly investigated by a person not involved in the billing area?				
9. Are material delinquent accounts listed periodically? a. Are they subject to review by an official other than the accounts receivable personnel.				
10. Are bad debt write-offs approved by an official other than the accounts receivable personnel?				
11. Are procedures in place to assure that write-offs are sent to the Central Collection Unit of the Department of Budget and Fiscal Planning in a timely manner?				
12. Does a responsible official approve credit memos?				
13. Are such credit memos prenumbered? and accounted				

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<u>Factor</u>	Yes	No	N/A	Remarks
for?				
14. Are credit balances reviewed periodically?				
15. Is the cashier denied access to the accounts receivable ledgers?				
<u>C. Revenues</u>				
1. Taxes: Control Objective: Controls should ensure that all required taxpayers have filed a current tax return and that the revenue is recorded properly.				
a. Is a method used to establish that required taxpayers have reported taxes due?				
b. Are there procedures to follow-up on non-reports noted in (a)?				
c. Are there procedures that provide for a periodic update of taxpayer files?				
d. Are all tax remittances reviewed for mathematical accuracy?				
e. Is it determined that the amounts remitted are materially correct?				
f. Are significant variances in amounts reported reviewed on a regular basis?				
g. Are all tax returns received initially controlled so that they can all be accounted for (by sequentially prenumbering, control totals, or control log)?				
h. Does tax control include a tracking system to identify the current				

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<u>Factor</u>	Yes	No	N/A	Remarks
processing status of each return?				
i. Are all returns initially reviewed for completeness?				
j. Are the deposit of periodic and estimated receipt returns matched with reported accounts on final taxpayer returns?				
k. Are discrepancies between taxpayer returns and agency records reviewed to determine the reasons for such differences?				
l. Are the results of the procedures in (k) reviewed and approved by a responsible official?				
m. Are errors resulting from procedures corrected by someone other than the person identifying the errors?				
n. Does a responsible official review all corrections before the returns are approved for continued processing?				
o. Are the totals of cash and checks received reconciled or checked with the tax returns received?				
p. Are the results reviewed and approved by a responsible official?				
q. Are taxpayer returns routinely audited on the following basis: (a) returns with data inconsistent with established statistical parameters? (b) random sampling?				
r. After an audit, is it established that any adjusted amounts have been paid or received as required?				
2. Licenses, fees, permits and fines				

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<u>Factor</u>	Yes	No	N/A	Remarks
Control objective: The accounting of revenue for licenses, fees, permits and fines should be controlled to assure its accuracy.				
a. Are the following recorded for accounting control purposes at the time a charge is established:				
1. proper identification and address of payer?				
2. specific information regarding scope of license, fee or permit?				
3. description of legal infraction, code violation and amount of fine?				
4. any deposits made or bail or performance bond posted?				
b. Do records establish that all the related transactions have been properly accounted for, i.e., sequentially pre-numbered forms?				
c. Are all records subsequently accounted for as a part of the control over processing?				
d. Is it regularly determined why any documents have not been accounted for within a reasonable period of time?				
e. Are the results of the determination in (d) reviewed and approved by a responsible official?				
f. Is the department or individual issuing the licenses and permits or establishing fees and fines someone other than those:				
1. responsible for the cash receipts function?				
2. maintaining the accounts receivable records?				
g. Are all charges reviewed and compared to a pre-established fee				

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<u>Factor</u>	Yes	No	N/A	Remarks
schedule by someone other than the person initially recording the charge?				
<u>D. Payroll</u>				
1. General				
a. Does your entity have written instructions, including the Central Payroll Bureau's <u>Payroll Procedures Manual</u> , to help personnel prepare the exception time report, attendance records and leave requests?				
b. Does your entity designate the individuals responsible for time keeping and preparing of the exception time report?				
c. Have those responsible for preparing the exception time report been properly trained?				
2. Record Keeping and Reporting				
Control Objective: To minimize the opportunity for employee time and attendance abuse and "employee" payroll padding:				
a. Does your entity prohibit the use of facsimile approval signatures (e.g., rubber stamps or imitation signatures) for any of the key hire, promotion, termination, overtime, or attendance documents and reports?				
b. Are attendance records kept on the basis of positive recording of attendance- by observation, sign-in sheets, individual daily attendance reports, or the like? (Note: Negative reporting systems assume that a person is present unless a leave slip or other report of absence is received by the time keeper. Negative systems are vulnerable to abuse.)				
c. Are attendance records signed by employees and approved by				

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**Form IC-3.1**

<u>Factor</u>	Yes	No	N/A	Remarks
supervisors or managers who have personal knowledge of their subordinates' attendance and work?				
d. Are attendance records used in certifying the Exception Time Report submitted to the Central Payroll Bureau?				
e. Are missing attendance records researched before the pay is certified on the Exception Time Report?				
f. Is the current Exception Time Report record count compared to previous Exception Time Report count, and, if there are changes, is it determined that they agree with current personnel actions and attendance records?				
g. Are the required entries made to the Exception Time Report for all new, transferring in, transferring out and terminating employees?				
h. Have required personnel actions been processed to support exceptions to pay such as retro adjustments, acting capacities, etc?				
i. Does an appropriate official review and approve the exception time report?				
j. Is the person who prepares the exception time report separate from the person(s) who approves it and mails it?				
k. Is the person who receives the checks from the Central Payroll Bureau separate from the person who prepares the exception time report and from the person(s) who approves it and mails it? Is the exception time report compared to the paycheck?				
l. Is the person(s) who distributes the checks separate from the person who prepares the exception time report and from the person(s) who approves it and mails it?				

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<u>Factor</u>	Yes	No	N/A	Remarks
m. Are undelivered and cancelled payroll checks marked "void" and returned to the Central Payroll Bureau within the prescribed time frame? Is appropriate credit obtained?				
n. Are documents and calculations periodically reviewed to ensure that payroll reflects only authorized transactions?				
o. Where employees work by themselves or in crews away from State facilities, are supervisory spot checks made of their work hours?				
p. Where a State entity has decentralized operations at multiple, dispersed State facilities, are supervisory spot checks made of the operating hours at these facilities?				
q. Are allegations or rumors of time and attendance abuse investigated and is disciplinary action initiated when appropriate? Where possible, are work standards developed and compared with the actual performance for evaluation?				
r. Is a leave card prepared and maintained for each employee?				
s. Is all leave taken posted to employee leave records?				
t. Does the agency have a sick leave program and is it being adhered to?				
u. Are Department of Personnel Regulations followed when employees are paid for unused annual leave?				
v. Is all leave accumulated and used according to Department of Personnel regulations?				
w. Do agency procedures ensure that temporary and emergency				

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<u>Factor</u>	Yes	No	N/A	Remarks
employees do not earn leave?				
x. Is the special payments payroll being used for its intended purpose?				
3. Overtime Pay Control Objective: Overtime pay is used only when necessary.				
a. Are requests for overtime required to be justified and approved in advance by an official who is knowledgeable of program needs and who will not personally benefit from overtime approval?				
b. Are employees who are paid overtime eligible to receive it?				
c. Does an official who is knowledgeable of actual work assignments approve out-of-classification pay claimed on payroll attendance reports?				
4. Hiring and Promoting Control Objective: To ensure that adequate procedures exist to establish the competency and qualifications of those individuals selected, through hiring or promotion, for supervisory positions, employees in a position of trust, and certain occupations where credentials are required.				
a. When education, experience and/or credentials are essential to hiring or promotion decisions, are original or certified copies of appropriate documents and reference checks obtained before selecting an individual?				
b. Are criminal background investigations requested for individuals selected for a position of trust prior to their actual hiring or promotion?				
<u>E. Procurement of Goods and Services and Other Disbursements</u>				
1. General - Segregation of duties				

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<u>Factor</u>	Yes	No	N/A	Remarks
Control Objectives: A proper segregation of duties should exist to safeguard assets and provide appropriate checks and balances:				
a. Are the requisitioning, purchasing and receiving functions segregated from the invoice processing accounts payable and general ledger functions.				
b. Is the purchasing function segregated from requisitioning and receiving functions.				
c. Are the invoice processing and accounts payable functions segregated from the general ledger functions.				
d. Is the disbursement approval function segregated from the disbursement preparation function.				
2. Requisitioning				
Control Objective: To initiate purchases only on the basis of appropriate authorizations and to record and maintain commitments as a basis for determining that transactions are executed in accordance with proper authorizations.				
a. Do officials who know program requirements approve purchase requisitions?				
b. Is adequate justification sought before approving requisitions that increase supplies, materials or services significantly beyond that originally anticipated?				
c. Do senior officials justify and approve requisitions that designate the source of supply for goods or services? Are there procedures to determine whether purchases would be allowable expenses under grant agreements, before placing purchase orders?				

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<u>Factor</u>	Yes	No	N/A	Remarks
d. Do procedures prevent splitting purchase orders to avoid having to obtain required approval, in accordance with the procurement regulations?				
3. Commodity Procurements and Service Contracts The <i>Procurement Manual for Using Agencies</i> contains procedures for those agencies to follow in purchasing commodities. The Purchasing Bureau conducts random audits of using agencies to determine their compliance.  Control Objective: Use procurement procedures which comply with the <i>Procurement Manual for Using Agencies</i> and the <i>State Finance and Procurement Article</i> .				
a. Are competitive bids sought according to the Procurement Manual?				
b. Contracts - Does your entity know about and use existing Statewide contracts?				
c. Warehouse items - Does your entity order stock items from the warehouse?				
d. Delegated Purchases - Does your entity know the regulations for and document the use of these delegations?				
e. Are purchase orders accounted for and reviewed periodically for any that are outstanding?				
f. Are outstanding purchase orders reviewed to find out why they have not been matched within a reasonable period of time?				
g. Are receiving records accounted for and reviewed periodically for any that have not been matched with an invoice and paid on time?				

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<u>Factor</u>	Yes	No	N/A	Remarks
h. Are unmatched receiving records regularly reviewed to find out why they are outstanding?				
i. <b>Unscheduled Purchases</b> - Is your entity familiar with the process of submitting unscheduled acquisitions to the Purchasing Bureau?				
<b>4. Receiving and Inspection</b> Control Objectives: To receive the quantity and quality of goods and services ordered.				
a. Do delivery instructions for goods consistently require that deliveries be made to designated State facilities within normal working hours?				
b. Does an individual (other than the requisitioning official) who knows the goods were received prepare a written record of receipt?				
c. Are materials and supplies inspected for condition and counted when received?				
d. If receipted items are for inventory, is a copy of the receiving report forwarded to the inventory clerk?				
e. When services are acquired on a time and materials basis or a per incident basis (e.g. trash pickup), do State employees (other than the requisitioner) maintain records of hours spent by contractor employees providing services or of the incidents of services, and are those records compared to contractor invoices?				
f. When services are acquired under a flat fee arrangement, does a qualified person (other than the requisitioner) judge the acceptability of the work and sign necessary receipts?				
<b>5. Accounts Payable/Cash Disbursements</b>				

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<u>Factor</u>	Yes	No	N/A	Remarks
Control Objective: Appropriate payment is made only when satisfactory goods and services are received and all transactions are accurately recorded.				
a. Are invoices checked against purchase orders and receiving reports for terms, prices, and quantities?				
b. Are invoices checked to be sure only original invoices are processed for payment? Is the "duplicate payment report (DAFR 3060)" reviewed and appropriate follow-up performed?				
c. Are records maintained and reviewed of goods returned and claims made?				
d. Are records of recurring payments maintained to detect skipped or duplicate payments?				
e. Are regular comparisons made of statements from vendors with recorded accounts payable?				
f. Are procedures adequate to ensure that the object/sub object codes to be charged are proper? Appropriation numbers (program)?				
g. Are encumbered funds that are no longer needed promptly cancelled?				
h. Are up-to-date signature cards for authorizing disbursements on file with the Comptroller's Office?				
i. When a transmittal is prepared, is the information on the vendor number table compared with the invoice to ensure that the correct vendor is being paid, the address is current and the Federal Identification Number on the table is correct?				
j. Are all payments made using the vendor number table?				

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<u>Factor</u>	Yes	No	N/A	Remarks
k. Do procedures ensure that all payments are sent to the Comptroller's Office for payment within 25 days?				
l. Are all transmittals approved only by authorized personnel who review supporting documentation at least on a test basis?				
m. Is a periodic review of the report for undeliverable checks (DAFR 3041) and cancelled checks made by someone independent of the transmittal process? And appropriate follow-up performed to have returned checks re-mailed and to correct the vendor table?				
n. Is a periodic review of the report for unrepresented checks (DAFR 8161) made by someone independent of the transmittal process? And appropriate follow-up performed?				
6. Travel. Control Objective: Travel reimbursements and advances are provided only for properly authorized travel according to applicable State regulations.				
a. Is a listing maintained of all outstanding travel advances; and compared to appropriate expense reports?				
b. Are all travel advances settled promptly when travel is completed?				
c. Is the Comptroller's Office expense report required for each reimbursement request?				
d. Is each expense report and supporting documentation reviewed for compliance with State regulations?				
e. Has an employee been designated to act as an agency travel coordinator to monitor compliance with the Standard Travel				

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<u>Factor</u>	Yes	No	N/A	Remarks
Regulations and the State Travel Management Program?				
f. Is the GAD form - Individual Request for Out-of-State Travel, required for all out-of-state and out-of-country travel?				
<u>F. Procurement of Major Repair and New Facility Construction</u>				
(All of the questions in this section apply only to those departments which have authority to contract for construction projects or for major repairs to existing structures.)				
1. General				
a. Are there clear lines of authority for soliciting bids, selecting contractors, inspecting contractor performance, approving change orders, and resolving disputes?				
b. Are those involved in the procurement process (including procurement officials, inspectors and auditors) provided written ethical standards of conduct describing independent, objective relationships with contractors?				
c. Are indications or allegations of improper contractor practices, such as collusive bidding or substitution of substandard materials, reported for investigation?				
2. Contract Award				
Control Objective: Competitive procurement is used whenever practical and awards are made to low bidders meeting specifications.				
a. Are prospective bidders' lists maintained and is advertising used to seek competition?				
b. Is access restricted to "insider information" which may be possessed by the State's design consultants and State employees, but not				

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<u>Factor</u>	Yes	No	N/A	Remarks
generally available to all prospective contractors (e.g. details of engineers' estimates)?				
c. Are bids reviewed for reasonableness by comparing engineers' estimates and recent bid history for similar procurements?				
d. Are bids reviewed for unbalanced bidding, and are such bidding patterns considered when selecting the lowest responsible bidder?				
3. Contract Administration Control Objective: Contractors adhere to specifications and use change orders only when necessary.				
a. Are contracts analyzed and inspection requirements (both frequency of and inspector capabilities) identified based on the potential areas of vulnerability?				
b. Are inspectors rotated so that the same inspector is not continually responsible for the same contractors?				
c. Are written reports of inspections required and do higher level officials review them to ensure the adequacy of inspections and contractor compliance with specifications?				
d. Are inspection reports compared to invoices to confirm amount of work performed or completed?				
e. Is substandard performance reported to the appropriate State authorities?				
f. Are necessary change orders promptly negotiated and submitted for approval?				
g. When action is needed before a change order can be developed				

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<u>Factor</u>	Yes	No	N/A	Remarks
and processed, is the notice to proceed subject to prior approval by the head of the department or agency?				
h. Is a senior official required to justify and approve proposed change orders?				
i. Do agency procedures/practices require audits of final costs under cost reimbursement type contracts and that fixed price/lump sum contracts be subjected to pre-award cost (price) analysis.				
<u>G. Corporate Purchasing Card</u>				
1. Are policies and procedures in place in compliance with the Comptroller's manual, especially documentation and reviews.				
2. Are there procedures in place to ensure that payments made through the Corporate Purchasing Card are not also made through the R*STARS payment process.				
<u>H. Inventory</u>				
1. Materials and Supplies Control Objective: To accurately account for usage and prevent theft. All of the regulations for managing and controlling inventories of equipment and materials and supplies are contained in the DGS Inventory Control Manual. Routine audits of agencies by the Legislative Auditor and unannounced spot checks by the Department of General Services determine regulatory compliance and provide technical assistance if needed. Some of the more important points in the regulations to prevent loss are covered below:				
a. Are sensitive items stored in locked or limited access storerooms?				
b. Are perpetual inventory records maintained at agencies where the				

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<u>Factor</u>	Yes	No	N/A	Remarks
average inventory value exceeds \$25,000 or where annual purchases in budget codes 05 and 09 exceed \$250,000 (or in compliance with current DGS requirements)?				
c. Are physical inventories taken annually and reconciled to perpetual records, discrepancies investigated and resulting write-offs approved by the department head or designee?				
d. Are work orders, parts orders or similar documents used to trace issues from inventory to their ultimate use?				
e. Are storerooms kept neat and orderly with items identified by a part number to help identify and count commodities?				
f. Are storerooms locked when not controlled by a storekeeper?				
g. Are storekeeping, record keeping and inventory taking functions segregated to prevent property from being misappropriated?				
h. When receiving property, are items and their amounts on the purchase order or packing slip reconciled with what is received?				
i. Are receiving reports sent to accounting property management to update property records?				
j. Are inventory balances over \$250,000 reported to the Comptroller's Office, GAD, at year end?				
2. Equipment Control Objective: Equipment is safeguarded, and unneeded equipment is relocated or sold.				
a. Have accountable officers been assigned custodial responsibilities for equipment at the program level?				

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<u>Factor</u>	Yes	No	N/A	Remarks
b. Are all capital and non-capital items properly identified by etching or labeling?				
c. Are all property records maintained at the level required by the Department of General Services?				
d. Are physical inventories taken as required, reconciled to detail records and control accounts maintained with missing items reported to DGS?				
e. Are stolen items reported to DGS for write-off approval when they occur?				
f. Are items reported to DGS when they become excess and not stored, cannibalized or scrapped?				
g. Is excess equipment identified and reported to the Statewide Inventory Management Program of the Department of General Services for transfer or disposal on a timely basis?				
3. Fixed assets Are all fixed assets over \$50,000 recorded in the R*Stars fixed asset subsystem as they are received?				
<u>I. Financial Reporting</u>				
Some questions will not apply depending on whether the assessable entity uses only R*STARS or also uses another accounting system.				
1. General - Segregation of Duties				
Control Objective: All valid general ledger entries, and only those entries, should be accurately recorded in the general ledger.				

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<u>Factor</u>	Yes	No	N/A	Remarks
a. Are user class assignments for access to R*STARS established within the guidelines of DBM's Security Manual. (All guidelines in the manual should be reviewed for compliance.)				
b. Is the responsibility for reviewing and approving financial reports segregated from the responsibility for preparing the reports?				
c. Do different people maintain the general ledger and the subsidiary ledgers?				
d. Are different people responsible for maintaining the custody of assets and the general ledger?				
e. Is the preparation and approval of journal entries segregated?				
2. Procedural Controls Control Objective: To provide for consistent, reliable and timely accounting and reporting.				
a. If an accounting system other than R*STARS is used, is it justified and not a maintenance of duplicate accounting records?				
b. Is it reconciled monthly to R*STARS?				
c. Do books of account include a general ledger?				
d. Are all postings to general and subsidiary ledgers required to support entries in books of original entry or journal entries?				
e. Are journal entries:				
1. Clearly referenced to indicate their source?				

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<u>Factor</u>	Yes	No	N/A	Remarks
2. Standardized for content and identification?				
3. Supported by readily identifiable data? If supported by estimates - are the methods for estimating periodically reviewed?				
4. Reviewed and approved by a responsible official?				
f. Is access to accounting records limited at all times to persons whose duties require it?				
g. Is there a chart of accounts supplemented by definitions of items included in the accounts?				
h. Are there written instructions on how to record specific accounting transactions?				
i. Is the <u>Accounting Procedures Manual</u> issued by the Comptroller's Office available to all accountants, and do they use the procedures?				
j. Is the Manual's power point training material presentation provided on the Comptroller's web page given to new personnel?				
k. Is the accounting system:				
1. Posted on a current basis?				
2. Balanced at least monthly?				
l. Is there continuing supervision and review to determine that:				
1. Prescribed policies are being carried out?				
2. Procedures are not obsolete?				

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<u>Factor</u>	Yes	No	N/A	Remarks
3. Corrective actions are taken promptly?				
4. Are related party transactions sufficiently evaluated and approved?				
m. Are internal reports to the governing body adequate to bring to light abnormal financial results and other discrepancies, and are they submitted on a timely basis?				
n. Is a periodic review of the entity's R*STARS reports performed to determine if the reports are used correctly, if the entity should stop receiving them, and/or if other available reports should be requested?				
o. Are appropriate R*STARS & GAAP fiscal year-end closing forms accurately prepared and submitted to the Comptroller's Office on a timely basis?				
p. Are there procedures to ensure that reported information is:				
1. Reasonably precise, complete and correct?				
2. Clear and representative?				
3. Prepared on a consistent basis?				
4. Reviewed and approved at appropriate levels of management before public release?				
<u>J. Grant Administration</u>				
Control Objective: Administer grants with sufficient controls and reviews to minimize potential irregularities which could create a significant liability to the grantor.				
1. Is a specific individual assigned to oversee compliance				

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<u>Factor</u>	Yes	No	N/A	Remarks
with the major terms and conditions of each grant received by the entity?				
2. Do formal, written procedures exist to help personnel adhere to Federal Grant guidelines?				
3. Are all grant applications processed with assistance of the Finance Office. Are registrations with CCR controlled and monitored by the Finance Office?				
4. If the amount of a grant is based on economic conditions, enrollment statistics, population statistics or other pertinent data, is reliable data produced to provide this information?				
5. Are program participants screened on a case-by-case basis to document eligibility for grants with eligibility criteria? (Note: This issue does not just include eligibility of people, but may also include eligibility of participating organizations or institutions.)				
6. Are necessary preapprovals obtained by grantor agencies?				
7. Are proposed budgets of subgrantees and proposed grant expenditures of your agency reviewed in advance for compliance with: the general grant requirements of OMB Circular A-133; the terms and conditions of individual grants; and the cost reimbursement provisions of OMB Circular A-87?				
8. Is there an indirect cost recovery plan prepared each year? Are amounts received as reimbursement of Statewide indirect costs reverted to the General Fund or has an exemption been granted?				
9. Are sufficient local funds earmarked for grants which have cash matching requirements?				

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<u>Factor</u>	Yes	No	N/A	Remarks
10. Are adequate records established to accumulate and value in-kind contributions for grants which have in-kind matching provisions?				
11. Are procedures in place to assure proper cash management of Federal funds?				
12. When funds are subgranted or subcontracted to others, are the activities of the subgrantees or subcontractors monitored frequently enough to provide a reasonable assurance of their compliance with grant requirements, matching provisions and expenditure restrictions?				
13. Is there adequate support for billings and financial status reports sent to the federal government?				
14. Are Single Audit reports collected from all appropriate local subdivisions to whom money is subgranted and reviewed for follow-up on any applicable comments?				
15. Are the grant fiscal reports filed with federal agencies prepared from or reconcilable to the State's financial records?				
a. Are federal funds reported/reconciled properly in R*Stars on a monthly basis?				
b. Are federal fund drawdowns done at least on a monthly basis?				
16. Is the detailed grant schedule which must be submitted to the Comptroller's Office reconciled to R*STARS and submitted on a timely basis? Does it properly reflect:				
a. All Federal assistance, monetary and non-monetary?				
b. All pass through funds?				

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<u>Factor</u>	Yes	No	N/A	Remarks
c. All Federal funds transferred to other departments?				
17. Are grants of State moneys to other governments and private organizations sufficiently monitored in compliance with Single Audit requirements?				
<p><u>K. Information Technology - PC Desktops/laptops</u>                      For use only by those entities which have desktops or laptops and peripheral equipment to process financial or critical operating data.</p> <p>The State Data Security Committee has, pursuant to Executive Order developed State Policy on data processing security. These policies have been distributed to all Departments. The following questions relate directly to the Executive Order.</p> <p>Control Objective: Secure PC desktops/laptops against loss or damage and maintain the integrity and accuracy of their files.</p>				
1. Are all PC desktops/laptops recorded in entity inventory records?				
2. Is all equipment physically identified as entity property by tag or other marking?				
3. Is access to PC desktops/laptops limited to authorized users?				
4. When not in use, is equipment secured against theft?				
5. Are PC desktops/laptops protected against electrical power surges and static electricity?				
6. Are employees cautioned that eating, drinking, or smoking in the vicinity of the PC desktops/laptops may damage the equipment or data files?				

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<u>Factor</u>	Yes	No	N/A	Remarks
7. Are files needed for future reference copied to disks or other backup media?				
8. Are disks protected against damage, such as exposure to excessive cold or heat or to magnetic fields?				
9. Are disks stored securely when not in use?				
10. Are software security features used to prevent unauthorized access or data entry to files containing sensitive data.				
11. Where computers are linked to communicate, are procedures in place to protect the integrity of the data on each computer?				
12. Is adequate written documentation maintained to familiarize new users with existing programs?				
<u>L. Loss Management</u>				
1. General				
a. Are the entity's operations continually monitored to identify vulnerabilities or areas of potential loss?				
b. Is there a loss prevention program (consisting of physical and procedural controls) designed to prevent loss of funds, property and information?				
c. Are loss prevention measures routinely monitored and updated?				
d. Is a designated supervisor responsible for monitoring compliance with security rules and reporting violations?				
e. Does the entity promptly correct weaknesses in internal controls, identified by external audits or departmental internal reviews?				

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<u>Factor</u>	Yes	No	N/A	Remarks
<p>2. Employee Conduct</p> <p>Control Objective: Monitor the conduct of all existing employees and train new employees on security and expected behavior (particularly those new employees assigned to areas of controlled access due to vulnerability to theft, diversion, or sabotage, such as auto maintenance facilities, computer rooms, and inventory warehouses).</p> <p>a. Do new employees assigned to areas vulnerable to theft, diversion, or sabotage receive an initial security orientation?</p> <p>b. Does this initial security orientation explain existing security rules and expected behavior?</p> <p>c. Are supervisory and management personnel alert to drastic changes in the standard of living of employees?</p> <p>d. Are rumors about waste, abuse, theft or personal misconduct of an employee (gambling, substance abuse) investigated?</p> <p>e. Does the entity consistently apply sanctions against employees for violating security regulations?</p> <p>f. Are those employees required to file a financial disclosure statement filing it in a timely manner?</p>				
<p>3. Access to Facilities</p> <p>(These questions apply only to those entities which are responsible for establishing, staffing, and monitoring access to State facilities or areas within those facilities. Further, the questions do not apply to public access areas but only to facilities or areas within facilities which are not routinely open to public access.)</p> <p>Control Objective: Those entities responsible for controlling access to State facilities or to rooms within a State facility (e.g. access to IT</p>				

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<u>Factor</u>	Yes	No	N/A	Remarks
facilities) establish physical and procedural controls to minimize the opportunity for theft or abuse of State funds, property and information.				
a. Is lock and key control of facilities, offices, and storage areas designated only to necessary persons?				
b. Are key or access code control procedures strictly enforced and monitored?				
c. Is the distribution of keys or access codes recorded and updated when employees leave?				
d. Are keys or card keys retrieved from terminated or transferred employees?				
e. Are tumblers or access codes routinely changed when employees leave or if keys are lost?				
f. Are security or reception area personnel notified of employee terminations?				
g. Do only necessary persons have the ability to deactivate alarm systems?				
h. Does policy require all offices, storage areas, and facility entrances to be locked during non-business/non-public access hours?				
i. Is an after-hours entry register maintained?				
j. Are employees, including managers, issued and, where necessary, required to display identification badges at the work site?				
k. Are visitors issued and required to display badges or passes for non-public access areas of State facilities?				

**Internal Accounting and Administrative Control Questionnaire**

**Form IC-3.1**

<u>Factor</u>	Yes	No	N/A	Remarks
l. Are visitors escorted to their destination?				
m. Is it routine procedure to stop and question persons in State facilities not displaying employee or visitor identification?				
n. Does a procedure exist for inspecting or spot checking packages carried by exiting visitors or employees?				
o. Is there monitoring or supervision of after-hours janitorial workers?				
4. Records Control Objective: Minimize loss and abuse of information				
a. Are all incoming documents date stamped?				
b. Are fire-proof containers used for all confidential and critical documents, and are they secured at the end of each day?				
c. Do written procedures exist for destroying or disposing confidential or privileged documents and financial instruments (e.g., unissued bonds which will not be issued)?				
d. Are all incidents of suspected tampering with documents or electronic data promptly investigated and reported?				
5. Contract Security Services (For use only by those entities which employ contract security services.)  Control Objective: Effective use of contract security services.				
a. Is the contractor licensed and bonded in the State of Maryland?				
b. As part of the contractor selection process, are vendors required to				

**Internal Accounting and Administrative Control Questionnaire**

**Form IC-3.1**

<u>Factor</u>	Yes	No	N/A	Remarks
be fully insured for liability and workmen's compensation?				
c. Is the contractor required to conduct criminal background investigations for those guards who will be used for your facilities?				
d. Do you establish minimum standards of performance for the contractor?				
e. Does the contract require all security guards carrying weapons to be trained and certified?				
f. Have all security guards assigned to your facilities been individually licensed by the Maryland State Police?				
g. Are security personnel who have arrest authority on State property sworn public safety officers?				
h. Do security personnel report directly to the State official (or deputy) in charge of each State facility for instructions?				
i. Are written reports received from the contract security service after each shift?				
j. Are security personnel trained to respond to emergency conditions such as fire?				
k. Do all security personnel have an updated emergency call list?				

**State of Maryland  
Risk Assessment  
Evaluation of Safeguards  
Information Technology Questionnaire**

Department: \_\_\_\_\_ Code: \_\_\_\_\_ Prepared by: \_\_\_\_\_ Date: \_\_\_\_\_  
 Assessable Entity: \_\_\_\_\_ Code: \_\_\_\_\_ Reviewed by \_\_\_\_\_ Date: \_\_\_\_\_

Information Technology (IT)                      YES              NO              N/A              Remarks

These questions apply only to those entities which have mainframe computers for processing critical financial or operating data.

1. Security

The State Data Security Committee has, pursuant to Executive Order, developed State Policy on data processing security. These policies have been distributed to all Department/Agencies. The following questions relate directly to the Executive Order.

Control Objective: Maintain adequate system's availability and integrity.

- a. Is physical access to central processing facilities restricted to authorized personnel with keys, cards or other devices?
- b. Is access to automated systems from terminals restricted to authorized personnel by individualized access codes and restrictions on the procedures each user may perform?
- c. Are user access codes safeguarded and changed frequently?
- d. Does the computer room have alarms to alert

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<u>Information Technology (IT)</u>	YES	NO	N/A	Remarks
security to unauthorized entry, fire or other emergency situations?				
e. Are portable fire extinguishers installed in strategic locations throughout the data center and checked periodically? Are their locations well marked and unobstructed?				
f. Are all data files protected against fire or other hazards?				
g. Do adequate backup procedures exist for all on-line master files?				
h. Are duplicates of all systems and program documentation maintained off premises?				
i. Are duplicate automated programs and files maintained off premises?				
j. Do arrangements exist to use an alternate facility if the existing facility should be out-of-service for more than a brief period? Are the arrangements documented and up-to-date?				
k. Is preventive maintenance of critical equipment performed on a scheduled basis?				
l. Is access to the mainframe by smaller computers limited to authorized users, and are those users restricted to approved access or operation functions?				
2. Segregation of Duties Control Objective: To prevent unauthorized access and use of the computer systems and other data.				

<u>Information Technology (IT)</u>	YES	NO	N/A	Remarks
a. Do management and supervisory personnel maintain a current organization chart of the IT function?				
b. Are extensive background checks made before employing applicants who would have access to sensitive data?				
c. Are newly employed operators closely observed and supervised during an indoctrination period before they are permitted to assume responsibilities for running operating programs?				
d. Is security discussed and stressed during a new employee's orientation with the operation?				
e. Does the organization provide for strict separation of the programming, computer operation and manual control duties?				
f. Does more than one programmer or supervisor have working knowledge of each specific program?				
g. Are programmers required to use the computer operators for running program tests or assemblies so that access to data files and operating programs is limited to computer operators?				
h. Are computer operators denied access to detailed program documentation (logic diagrams, program coding, etc.)?				
i. Is the responsibility for operating specific applications rotated among operating personnel?				

<u>Information Technology (IT)</u>	YES	NO	N/A	Remarks
j. Does an independent group within the Information Technology function perform the manual control duties?				
k. Are IT personnel prohibited from originating entries for processing in the computer department?				
l. Are IT personnel prohibited from performing duties in other operating areas of the organization?				
m. When an employee is terminated, are precautions taken so that:				
1. The employee is denied physical access to the department?				
2. The employee does not destroy or take any data or programs?				
3. Everyone in the department is informed of the employee's termination?				
4. Ability to access computer, i.e., log-on-id and passwords, is promptly cancelled?				
n. Is the physical layout of the computer room easily visible to supervisory personnel?				
3. Development Control Objective: To write and test programs according to specifications and with proper authorization.				
a. Do user departments review and approve, in writing, all new systems design work and changes to existing systems?				
b. Do standard conventions exist for documenting				

<u>Information Technology (IT)</u>	YES	NO	N/A	Remarks
systems, programs, operating instructions and user's manuals?				
c. Is there an overall system flow chart for each application?				
d. Are computer run books maintained on a current basis for each computer program?				
e. Do run books include narrative descriptions, block diagrams, input and output formats, and program listings for each program?				
f. Do file descriptions identify file content and describe each element in user language?				
g. Are there written procedures for updating systems and program documentation?				
h. Is system and programming documentation updated after each change?				
i. Is a log of program changes maintained, indicating when the change went into operation and providing an accurate chronological record of the system?				
j. Are program revisions tested and the results reviewed with supervisory personnel before the revisions become effective?				
k. Is there a procedure to prevent superseded programs from being used by mistake?				
l. Is the control over the file storage area sufficient to preclude the unauthorized access to, or inappropriate				

<u>Information Technology (IT)</u>	YES	NO	N/A	Remarks
use of programs and data files?				
m. Are operating logs of computer and computer operator activities maintained and reviewed periodically by management?				
<p>4. Operations            Control Objective: To ensure the quality, usefulness and reliability of information and reports from automated systems. (Note: Presume that input from user agencies has been prepared with care.)</p>				
a. Are batch controls over dollars and/or number of items established by user departments before they submit source documents for transcription?				
b. Is a separate group within the IT function responsible for establishing and maintaining controls over batches received from user departments?				
c. Are all batches ultimately balanced and the corrections properly made and reentered into the system?				
1. Can rejected transactions which have not been reentered be readily identified?				
2. Is the total-activity-processed (established by manual controls) balanced to the total-activity-posted to the master file?				
d. Are transaction listings prepared early in the processing cycle to facilitate error research and to meet other control requirements, and are they available on a regular basis or on demand?				

<u>Information Technology (IT)</u>	YES	NO	N/A	Remarks
e. Are there prescribed procedures to avoid processing source documents twice?				
f. If data transmission or conversion equipment is used, is the accuracy of the input preparation, the conversion, and the transmission of critical data verified?				
g. Are changes to master files, such as pay rates, and price changes, properly authorized and is their posting to the file verified and reviewed by the originating unit?				
h. Do supervisory personnel in user departments review output reports for reasonableness and quality in comparison with prior periods?				
i. Are validity checks programmed into the system and run prior to updating files to reasonably insure that the data entering the system are acceptable to the system?				
j. Are all validity and other error rejects listed for review and correction?				
<p>5. Audit Process</p> <p>Control Objective: To maintain adequate internal controls and proper audit trails.</p>				
a. Are internal or other auditors consulted when designing systems so that they can assist in assuring that adequate internal controls are established for the system?				
b. Is there a formal internal audit program to regularly review and audit data processing operations and				

<u>Information Technology (IT)</u>	YES	NO	N/A	Remarks
procedures?				
c. Are changes reviewed to determine whether they were properly approved and have been properly documented?				

## **Instructions for Completing Form IC-4 Assessment of Evaluation Results**

This form is the fourth step of the Risk Assessment process.

A form should be completed for each "No" answer on the "Analysis of the General Control Environment" (Form IC-1) and the "Evaluation of Safeguards" (Forms IC-3.1 and IC-3.2).

During this assessment process the costs of correcting the weakness will be evaluated in relation to the risks associated with the weakness. This evaluation should produce a judgment of whether corrective action is required, what the action will be and when it will be implemented.

Complete the form as follows:

1. Heading: Complete the heading with the department name, department code, assessable entity name, and assessable entity code as provided by the department Internal Control Coordinator.
2. Weakness ID Number: Refer to the specific form and question answered, i.e., IC-1-A-2 refers to the second question under the first category (A) of the "Analysis of the General Control Environment," Form IC-1.
3. Description of Weakness: Describe the missing control or standard.
4. Risk Assessment: Include a dollar value of the risk involved with a brief description of the risk. Include in the discussion any relevant areas of high risk noted in the "Analysis of Inherent Risk," Form IC-2.
5. Corrective Action: Include a dollar value of the costs involved and a brief description of the corrective action needed.
6. Decision: Based on the information provided, either justify why corrective action should not be taken or explain what will be done.
7. Corrective Action Plan: Name the person responsible for implementing the action and the planned timetable for completion.
8. Preparer and Reviewer: The preparer and reviewer should sign and date the form. Also, assign sequential page numbers in the space provided at the top of the form.

**State of Maryland**  
**Evaluation of Safeguards**  
**Assessment of Evaluation Results**

**Form IC-4**

Department: \_\_\_\_\_ Code: \_\_\_\_\_ Page \_\_\_ of \_\_\_  
Assessable Entity: \_\_\_\_\_ Code: \_\_\_\_\_

Prepared by \_\_\_\_\_ Date \_\_\_\_\_ Reviewed by \_\_\_\_\_ Date \_\_\_\_\_

Weakness I.D. No:

Description of Weakness:

Risk Assessment:

Dollar Value: \$

Description of Risk:

Corrective Action:

Estimated Cost: \$

Description of Action Needed:

Decision:

Correction Action Plan:

Responsible person:

Planned timetable:

**Instructions for Completing Form IC-5**  
**List of Event Cycles Within the Assessable Entity**

Form IC-5 should be completed by the person assigned to document the detailed internal control review. The purpose of this form is to list the event cycles identified during Step 1, "Identifying Event Cycles" described in Volume I of this manual. It also notes which event cycles will be reviewed. Specific instructions for the various elements identified on the form are:

1. Complete the heading with the department name, department code, assessable entity name, and assessable entity code provided by the internal control coordinator.
2. Identify the event cycle by completing the column marked "Event Cycles".
3. The comments section should summarize why each event cycle will or will not be reviewed.
4. Page numbers should be assigned sequentially and noted in the space provided.
5. The preparer and reviewer should sign and date the form.

**State of Maryland**

**Form IC-5**

**List of Event Cycles within the Assessable Entity**

<u>Department</u>	<u>Code:</u>	<u>Prepared by:</u>	<u>Date:</u>
<u>Assessable Entity</u>	<u>Code:</u>	<u>Reviewed by:</u>	<u>Date:</u>

Event Cycles:

<u>Name</u>	<u>Manager's Name</u>	<u>Comments</u>
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## **Instructions for Completing Form IC-6**

### **List of Internal Control Objectives and Techniques**

This form matches control objectives and techniques and makes a preliminary assessment of their adequacy. The results of this assessment will either indicate that objectives/techniques must be corrected or that techniques must be tested to determine if they are functioning properly.

Specific instructions for this form follow:

1. Complete the heading with the department name, department code, assessable entity name, and assessable entity code provided by the internal control coordinator (same data as completed in heading on Form IC-5).
2. Identify the event cycle being assessed in the heading of the form.
3. Complete the appropriate control objective in the first column. (See Appendix C, Sample Internal Control Objectives and Techniques.)
4. Enter in the second column the entity's control techniques designed to meet the control objectives.
5. Assess the relative strength of the technique and enter the result of the assessment (Strength (S), Weakness (W), Excessive (E), in the third column.
6. Enter recommendations in the fourth column. Weak controls are candidates for correction, and excessive controls are candidates for correction, and excessive controls are candidates for elimination. If the control is one of perceived strength, it should be scheduled for testing to verify its effectiveness.
7. Page numbers should be sequentially assigned and noted in the spaces provided.
8. The preparer and reviewer should sign and date the form.

**State of Maryland**  
**Detail Internal Control Review**  
**List of Internal Control Objectives and Techniques**

**Form IC.6**

Department :	Code:	Prepared by	Date:
Assessable Entity:	Code:	Reviewed by	Date:
Event Cycle:			

Control Objectives:	(S)	Comments and Recommendations:
Control Techniques:	(W)	
	(E)	

## **Instructions for Completing Form IC-7 Tests of Internal Controls**

Use Form IC-7 to document tests for those internal control techniques identified on Form IC-6 as providing strength in meeting the control objectives of the event cycle.

Instructions for this form are as follows:

1. Fill out the heading of the form. This information can be copied from Form IC-6.
2. Describe the internal control technique to be tested in the first column.
3. After testing each technique use the second column to indicate if the techniques worked (yes) or didn't work (no).
4. For (yes) answers in the second column, determine whether the control is adequate to meet the objective, and if it is not, explain.
5. Recommendations for corrective action are reported in the fourth column.
6. Page numbers should be assigned sequentially and noted in the spaces provided.
7. The form should be signed and dated by the preparer and reviewer.

**State of Maryland**  
**Detail Internal Control Review**  
**Tests of Internal Controls**

**Form IC-7**

Page \_\_\_\_\_ of \_\_\_\_\_  
Prepared by \_\_\_\_\_ Date \_\_\_\_\_  
Reviewed by \_\_\_\_\_ Date \_\_\_\_\_

Department: \_\_\_\_\_ Code: \_\_\_\_\_  
Assessable Entity: \_\_\_\_\_ Code: \_\_\_\_\_

Event Cycle:

Tested Control Techniques:      Function:      YES or NO      Level of Functioning Adequate to Meet the Objective:      Comments and Recommendations:

## **Instructions for Completing Form IC-8 Assessment of the Results of Internal Control Reviews**

All weaknesses identified on Forms IC-4, IC-6 and IC-7 as needing corrective action are shown on Form IC-8 along with other information to help plan corrective action. Specific instructions are:

1. Headings: Fill out the heading of the form. This information can be copied from Form IC-7.
2. Weakness: A code number (sequential number is suggested) is assigned for each weakness and is entered in the space provided.

Include all weaknesses noted in the assessment of the control environment, control objectives, or control techniques:

3. Recommendation: Note needed action in this space.
4. Estimated Value: Note the estimated values of the risk associated with the weakness and the cost to implement corrective action.
5. Comments: Determine whether corrective action should be taken and note the reasons.
6. Corrective Action Scheduled: If corrective action is indicated complete this section.
7. Page Numbers: Page numbers should be assigned sequentially and noted in the spaces provided.
8. Prepare and Review: The preparer and reviewer should sign and date the form.

The data for items scheduled for corrective action should be recorded in the department tracking system, and the progress made in implementing corrective action should be monitored and updated. This information will be needed when preparing the required annual report.

**State of Maryland**  
**Detail Internal Control Review**  
**Assessment of Results of Internal Control Review**

**Form IC.8**

Page \_\_\_\_\_ of \_\_\_\_\_

Prepared by \_\_\_\_\_ Date \_\_\_\_\_  
Reviewed by \_\_\_\_\_ Date \_\_\_\_\_

Department: \_\_\_\_\_  
Assessable Entity: \_\_\_\_\_ Code: \_\_\_\_\_  
Event Cycle: \_\_\_\_\_ Code: \_\_\_\_\_

Weakness:  
Code:  
Description of Problem/Weakness:

Recommendation:

Estimated Value:  
Benefit (Avoidance of Risk): \$

Cost to Implement Corrective Action: \$

Comments:

Corrective Action Scheduled:  
Responsible Person:

Dates: Begin: \_\_\_\_\_ End: \_\_\_\_\_