

**Office of the State Controller**

Self-Assessment of Internal Controls

**Budget Reporting Cycle**

Objectives and Risks

Agency \_\_\_\_\_

Year-End \_\_\_\_\_

<u>Objectives</u>	<u>Risks</u>
Preparation of a budget, whether or not legally required, which internally and externally communicates goals and objectives and serves as a "benchmark" against which actual performance is measured.	<ul style="list-style-type: none"> <li>• No practical means by which to measure performance.</li> <li>• Internal departments and staff unsure of goals of the executive.</li> <li>• Absence of effective control over expenditures.</li> </ul>
Obtain assurance that expenditures are incurred in conformity with the budget and plan of operations.	<ul style="list-style-type: none"> <li>• Violation of law.</li> <li>• Expenditures incurred in excess of budget authorization.</li> <li>• Arbitrary or unauthorized transfers between budget categories.</li> </ul>
Budget versus actual reporting is provided on a timely basis and explanations are provided for significant deviations.	<ul style="list-style-type: none"> <li>• Lack of timely information on budget versus actual status prohibits corrective action.</li> <li>• Department managers unaware of status of their budget and potentially prohibited from executing plans.</li> <li>• Unbudgeted actual transactions may not be detected.</li> </ul>

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Control Policies and Procedures:

Agency \_\_\_\_\_

Year-End \_\_\_\_\_

**Bolded questions identify critical controls. A critical control is a control that will prevent or detect an error in the event that all other controls fail.**

**A. Control Activities / Information and Communication:**

Yes No N/A

- |      |      |      |  |
|------|------|------|--|
| ____ | ____ | ____ | 1. Are the following budget responsibilities performed by different people:  |
| ____ | ____ | ____ | a. Preparation and approval of the budget submitted to the legislature?  |
| ____ | ____ | ____ | b. Implementation and approval of the budget submitted to the legislature, including budget revisions?   |
| ____ | ____ | ____ | c. Recording budget revisions in the general ledger and the approval or implementation functions?  |
| ____ | ____ | ____ | 2. Have procedures been adopted and communicated establishing authority and responsibility for transfers (budget revisions) between budget categories?                             |
| ____ | ____ | ____ | 3. Are budgetary increases or decreases (as they relate to programs), that are mandated by the legislature communicated to operating departments? Is this done in a timely manner? |
| ____ | ____ | ____ | 4. Is an encumbrance system used to ensure actual expenditures do not exceed budgeted amounts?   |
| ____ | ____ | ____ | 5. <b>Are actual expenditures and revenues compared to budgeted amounts monthly and on a timely basis?</b>   |
| ____ | ____ | ____ | 6. <b>Are budget revisions approved by an authorized person before being entered into the accounting system?</b>   |
| ____ | ____ | ____ | 7. Are restricted revenues segregated to ensure that the revenues are used only for restricted purposes?   |

**B. Monitoring:**

\_\_\_ \_\_\_ \_\_\_ 8. Does the accounting department or budget officer submit approval of the availability of funds before the issuance of a purchase order or expenditure commitment?

\_\_\_ \_\_\_ \_\_\_ 9. **Are over expenditures or under-realized revenues discussed with departmental personnel and are there explanations for significant variations from budgeted amounts?**