

Office of the State Controller

Self-Assessment of Internal Controls

Control Environment

Objectives and Risks

Agency _____

Year-End _____

<u>Objectives</u>	<u>Risks</u>
<p>Management recognizes the importance of and commitment to the establishment and maintenance of a strong system of internal control as communicated to all employees through actions and words.</p> <p>Management adheres to a code of conduct and other policies regarding acceptable business practices, conflicts of interest, or expected standards of ethical and moral behavior, and communicates these policies to all employees.</p>	<ul style="list-style-type: none"> • Employees lack knowledge of internal controls. • Code of conduct and/or ethics policy has been inadequately communicated (i.e. intranet, posters, memorandum, etc.) or does not exist.
<p>Organizational structure units are clearly defined and up to date to perform the necessary functions and determine that appropriate reporting relationships have been established.</p>	<ul style="list-style-type: none"> • Organizational chart is not current. • Employees unaware of reporting relationship in the organizational structure. • Duplication of functions by units.
<p>Personnel are qualified and properly trained for the functions in order for control procedures to operate in the manner intended.</p> <p>Current job descriptions are established detailing the responsibilities and qualifications for each position.</p>	<ul style="list-style-type: none"> • Personnel not qualified to perform tasks assigned. • Personnel not adequately trained. • Lack of continuing education for personnel. • Job descriptions not coordinated with actual job performances.
<p>Delegation of authority or limitation of authority exists to provide assurances that responsibilities are effectively discharged.</p>	<ul style="list-style-type: none"> • One employee controls all phases of a transaction. • Management goals are not communicated to staff employees.

<p>Policies and procedures are documented and provide a basis for reviews, follow-up evaluations and audits.</p>	<ul style="list-style-type: none"> • Functions are not performed uniformly among units. • Statutory requirements not being met. • Lack of support for functions and transactions performed.
<p>Budgetary and reporting practices provide benchmarks by which management can measure accomplishments.</p>	<ul style="list-style-type: none"> • Management does not have guidelines to measure performance. • Management cannot communicate expectations to the organizational units. • Unusual transactions or events cannot be detected. • Management cannot determine if goals are being achieved.
<p>Organizational checks and balances provide authority for certain functions that minimize the potential for waste, fraud, abuse or mismanagement.</p>	<ul style="list-style-type: none"> • Organizational units do not perform responsibilities therefore the potential for waste, fraud and abuse can occur.

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Control Environment
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. Integrity and Ethical Values

Yes No N/A

- ___ ___ ___ 1. Does a written Code of Conduct (Code) exist and does it apply to all employees or at least to individuals (internally and externally) who are in a position to influence the financial statements (including the Chief Executive Officer, Chief Financial Officer, Controller or persons performing similar duties)?
- ___ ___ ___ 2. Is the Code communicated prominently throughout the agency (i.e. agency website, posters, intranet, e-mail, etc)?
- ___ ___ ___ 3. **Is the Code periodically updated and reviewed (i.e. the code of conduct reviewed on an annual basis)?**
- ___ ___ ___ 4. **Does the agency have an anonymous and confidential Whistleblower policy for communicating and receiving information regarding fraud, errors in financial reporting and misrepresentation or false statements made by management?**
- ___ ___ ___ 5. Have transactions been executed in accordance with the Code and approved written policies and procedures?

B. Commitment to Competence

- ___ ___ ___ 6. **Does management analyze and document the knowledge and skills required to accomplish tasks?**
- ___ ___ ___ 7. Are job responsibilities formally documented and reviewed annually by management (CFO) and other individuals in position of significant influence over financial reporting?

C. Management's Philosophy and Operating Style

- ___ ___ ___ 8. Has management established overall objectives in the form of a mission statement, goals or other written operating statement(s)?
- ___ ___ ___ 9. Have objectives been clearly communicated to all employees?
- ___ ___ ___ 10. Are objectives established for key areas (i.e. operations, financial reporting, compliance, etc.)?
- ___ ___ ___ 11. Are policies and procedures consistent with statutory authority?
- ___ ___ ___ 12. Are operations performed in accordance with statutes governing the public agency?
- ___ ___ ___ 13. **Does senior management review financial results and performance measures at least once a quarter?**
- ___ ___ ___ 14. Are unusual variances between budget and actual examined?
- ___ ___ ___ 15. Does the agency compare its actual performance with its goals and objectives?
- ___ ___ ___ 16. Are principal accounting records and accounting employees at all locations under the supervision of the principal accounting office?
- ___ ___ ___ 17. Does the agency have a functioning internal audit staff to review the operations of the agency?
- ___ ___ ___ 18. **Does the internal audit staff report to an official independent of the operations under review?**
- ___ ___ ___ 19. Does management follow-up on audit findings?

D. Organizational Structure

- ___ ___ ___ 20. **Are written policies and procedures for all major areas periodically reviewed and approved by senior management and readily available for use by all employees?**
- ___ ___ ___ 21. **Is there an organizational chart that clearly defines the lines of management authority and responsibility?**
- ___ ___ ___ 22. On at least an annual basis, does senior management review and update the organizational structure of the agency?
- 23. Are all the agency's operations centralized or decentralized? (circle one)

___ ___ ___ 24. If decentralized, is monitoring of the areas adequate?

E. Assignment of Authority and Responsibility

___ ___ ___ 25. Are specific limits established for certain types of transactions and delegations clearly communicated and understood by employees within the agency?

___ ___ ___ 26. Have specific lines of authority and responsibility been established to ensure compliance with Federal and State laws and regulations?

___ ___ ___ 27. Does management understand the concept and importance of internal controls, including division of responsibility?

___ ___ ___ 28. **Is the internal control structure supervised and reviewed by management to determine if it is operating as intended?**

___ ___ ___ 29. **Are responsibilities segregated so that no single employee controls all phases of a transaction?**

___ ___ ___ 30. Are there adequate policies and procedures for authorization and approval of transactions at the appropriate level?

___ ___ ___ 31. Are sufficient training opportunities to improve competency and update employees on new policies and procedures available?

___ ___ ___ 32. If known areas of knowledge are limited, has help been enlisted from peers, auditors or outside consultants to identify alternatives and suggest solutions?

___ ___ ___ 33. Have managers been provided clear goals and direction from the governing body or top management?

___ ___ ___ 34. Are external audits performed on a periodic basis?

___ ___ ___ 35. Is information (i.e. findings, recommendations, etc.) provided by external auditors considered and acted upon in a timely manner?

F. Human Resource Policies and Practices

___ ___ ___ 36. **Does management ensure compliance with the State's and/or agency's personnel policies and procedures concerning hiring, evaluating, promoting, compensating, and terminating employees?**

___ ___ ___ 37. Are job descriptions (and other documents that define key position duties/requirements) current, accurate and understood?

___ ___ ___ 38. Are employees cross-trained to ensure the uninterrupted performance of personnel functions?

G. Risk Assessment

___ ___ ___ 39. **Does the agency have mechanisms in place to anticipate, identify, and react to risks presented by changes in government, economic, industry, regulatory, operating, or other conditions that can affect the achievement of the agency's goals and objectives?**

40. Please identify the three most significant risks to the agency:

___ ___ ___ 41. Is risk identification incorporated into management's short-term and long-term forecasting and strategic planning?