

Office of the State Controller

Self-Assessment of Internal Controls

Investment Cycle

Objectives and Risks

Agency _____

Year-End _____

<u>Objectives</u>	<u>Risks</u>
All purchase or sales transaction are initiated by authorized individuals, conform to investment objectives, policies and regulations and are properly documented and approved.	<ul style="list-style-type: none">• Unrecorded or unauthorized transactions; transactions at inappropriate prices or at unfavorable terms; payment of fictitious or inflated prices.
All documents evidencing ownership or other rights are subject to effective custodial accountability procedures and physical safeguards.	<ul style="list-style-type: none">• Unauthorized use of assets for personal gain; loss or theft of assets.
All transactions are promptly and accurately recorded in adequate detail records and appropriate reports are issued.	<ul style="list-style-type: none">• Misappropriation of interest income, proceeds from sales transactions; concealment of unauthorized transactions.
All transaction are properly accumulated, classified and summarized in the accounts.	<ul style="list-style-type: none">• Misstating financial statements; concealment of misappropriations.

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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 there approved written policies and procedures that document the investment processing and identify control procedures?
- ___ ___ ___ 2. Are policies and procedures established to ensure investments are received or appropriately reflected in the custodial accounts?
- ___ ___ ___ 3. Are investment purchases or sells recorded in the sub-ledger/general ledger on the date traded?
- ___ ___ ___ 4. Are policies and procedures established to ensure the purchase and sell of investments are properly recorded?
- ___ ___ ___ 5. Are competitive bids sought for certificate of deposit purchases?
- ___ ___ ___ 6. Are certificates of deposit and interest coupons sufficiently safeguarded?
- ___ ___ ___ 7. If applicable, are individuals with access to securities bonded?
- ___ ___ ___ 8. Are policies and procedures established to ensure investment income received is recorded properly?
- ___ ___ ___ 9. Does investment income earned get recorded on a timely basis?
- ___ ___ ___ 10. Are investment earnings credited to the proper fund?
- ___ ___ ___ 11. Are investment earning calculations and accruals reviewed at year-end?
- ___ ___ ___ 12. Do specific procedures exist for tracking maturing investments and interest payments?

- ___ ___ ___ 13. **Are investment guidelines including authorized individuals, investment asset allocation, and safekeeping formally approved and reviewed annually?**
- ___ ___ ___ 14. Is the acquisition and disposal of investments authorized by a person with approval authority?
- ___ ___ ___ 15. Have authority and responsibility been established for investment opportunity evaluation (investment performance review)?
16. Are the following responsibilities performed by different people:
- ___ ___ ___ a. Cash flow management, investment transactions, safekeeping of the investments, and recording to the general ledger?
- ___ ___ ___ b. Record-keeping functions for securities and income separate from those having access to physical securities, those authorizing security transactions, and those having duties in the cash area?
- ___ ___ ___ c. Initiating, evaluating, and approving transactions segregated from those for detail accounting, general ledger and other related functions?
- ___ ___ ___ d. Monitoring investment market values and performance segregated from those performing investment acquisition?
- ___ ___ ___ e. Maintaining detail accounting records segregated from those for general ledger entries?
- ___ ___ ___ f. Custodial responsibilities for securities or for other documents evidencing ownership or other rights assigned to an official who has no accounting duties?
- ___ ___ ___ 17. **Does a governing body or statute restrict investments by asset type and/or limit amounts? Can officials override these restrictions with proper authorization?**
- ___ ___ ___ 18. **Are all securities held or registered in the name of the agency or the State Treasurer, if applicable?**
19. Are detail records maintained that include the following information, if applicable, on each evidence of ownership:
- ___ ___ ___ a. Date of the purchase, identification of the investment, purchase amount or cost, and maturity date?
- ___ ___ ___ b. Physical location of item, i.e., safekeeping agent, etc.?
- ___ ___ ___ c. Interest dividend or income rates and accrual or receipt dates?

___ ___ ___ d. Ownership by fund?

___ ___ ___ 20. **Do procedures exist for reconciling the detail accounting records (custodian fiscal agent statements) with the sub-ledger/general ledger on a monthly basis? Are differences researched and resolved within a timely manner?**

B. Monitoring:

___ ___ ___ 21. **Is the classification of investments in the sub-ledger/general ledger periodically reviewed? Does this classification agree with the note disclosures?**

___ ___ ___ 22. Does a responsible official determine that the income earned is credited to the proper fund?

___ ___ ___ 23. **In respect to question 17 above, does a responsible official determine that investments are of the character and type permitted by legal requirements? If restrictions are overridden, are the reasons and authority for the action properly documented?**

___ ___ ___ 24. **Is the performance of the investment portfolio periodically evaluated quarterly by persons independent of investment portfolio management activities?**

___ ___ ___ 25. Are appropriate personnel authorized to release securities from safekeeping agent authorized by the governing body?

___ ___ ___ 26. Are securities or legal documents or agreements evidencing ownership or other rights kept in a vault with limited access, or preferable, protected in a safe deposit box, on deposit with a corporate trustee, or investment broker/custodian?

___ ___ ___ 27. For agencies with an investment portfolio, does a written Ethics Policy, Conflicts of Interest, Delegation of Authority Policy exist and does it apply to all investment employees?

___ ___ ___ 28. **Does management require personnel with investment authority to disclose any Conflicts of Interest on an annual basis?**

___ ___ ___ 29. **For agencies with an investment portfolio, does management require a SAS 70, Type II report on the custodian's operations on an annual basis? This is an external audit report. Does management review the SAS 70, Type II report to verify that controls are operating correctly?**