

Statewide Accounting Management System

SAMS

**Supplement to SAMS Procedure 2,
Internal Controls**



**STATE OF ILLINOIS
OFFICE OF THE COMPTROLLER**

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SUGGESTED FISCAL AND ADMINISTRATIVE CONTROL REVIEW CHECKLIST

The following internal control review checklist has been prepared to aid Illinois State agencies in conducting reviews of their systems of internal fiscal and administrative controls. The checklist is based, in part, on the "Internal Control Criteria Checklist", "Audit Planning Checklist" and "Checklists for Observation of Auditee's Management Practices" contained in the State of Illinois Auditor General Audit Guide For Performing Compliance Audits of Illinois State Agencies. Ideas have been drawn from this and other sources, and modified to fit the needs of the Fiscal Control and Internal Auditing Act ("FCIAA") internal control review program.

The checklist is organized into the following eleven major internal control review categories:

1. agency Organization and Management
2. Administrative Support Services
3. Budgeting, Accounting and Reporting
4. Purchasing, Contracting and Leasing
5. Expenditure Control
6. Personnel and Payroll
7. Property, Equipment, and Inventories
8. Revenues and Receivables
9. Petty Cash and Local Funds
10. Grant Administration
11. Electronic Data Processing

Each of the eleven checklist sections is referenced to the appropriate fiscal and administrative internal control requirements of FCIAA-Section 3001, and incorporates questions that specifically address the fiscal and administrative internal control objectives discussed in Procedure .02.50.20 of the CUSAS guidelines.

Illinois State agencies are encouraged to use this checklist as a guide in determining the nature and scope of internal control review work that must be performed to enable the agency Chief Executive Officer to certify to the adequacy of his/her agency's systems of internal fiscal and administrative control, as required by FCIAA-Section 3003.

As stated earlier in these guidelines, Illinois State agency chief executive officers should consult with their internal auditor(s) when planning the FCIAA internal control review to ensure adequate consideration of the impact of ongoing work performed by the agency's internal auditor(s) on the level of effort required to conduct the review.

Every effort should be made to build upon the work performed by agency internal auditors when conducting the FCIAA internal control review.

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NEW

Prepared By _____ Date _____
Reviewed By _____ Date _____

STATE OF ILLINOIS

SUGGESTED INTERNAL FISCAL AND ADMINISTRATIVE CONTROL
REVIEW CHECKLIST

AGENCY: _____

DEPARTMENTAL UNIT: _____

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**INSTRUCTIONS FOR COMPLETING FISCAL AND
ADMINISTRATIVE CONTROL REVIEW CHECKLIST**

This step in the internal control review process is a series of questions that will evaluate the existence and adequacy of the entity's controls. The questionnaire is divided into two sections; the Internal Fiscal and Administrative Control Questionnaire and the Electronic Data Processing (EDP) Questionnaire. Agencies which maintain their own EDP operations should complete the EDP questionnaire.

A "Yes" answer on the questionnaire indicates an appropriate control exists and a "No" answer indicates a weakness because of a lack of control. Not all weaknesses can be corrected. However, the decision to perform the corrective action will be made in the next step.

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". Indicate "P" in the "NO" column to signify partial compliance.
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 index page in the upper right hand corner.

All "no" answers requiring further action should be extracted and summarized during the certification process.

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1. AGENCY ORGANIZATION AND MANAGEMENT

FCIAA Reference: Ill. Rev. Stat., 1989, ch. 15, par. 3001(1)

CONTROL OBJECTIVES:

1. 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).
2. Those entities responsible for controlling access to State facilities or to rooms within a State facility (e.g., access to EDP facilities) establish physical and procedural controls to minimize the opportunity for theft or abuse of State funds, property and information.
3. Minimize loss and abuse of information.
4. Effective use of contract security services.
5. To identify organizational units to perform the necessary functions and to establish appropriate reporting relationships.
6. To define, document and disseminate information to all employees as to how the organization is intended to perform in various situations.
7. To ensure that there is appropriate delegation or limitation of authority in a manner that provides assurance that responsibilities are effectively discharged.
8. A commitment to the establishment and maintenance of a system of internal control exists.

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1A. GENERAL INTERNAL CONTROL REVIEW CRITERIA

| | | Yes | *No | N/A |
|----|--|-----|-----|-----|
| 1. | Upper management demonstrates an awareness of agency programs and the statutes, rules and guidelines governing their programs. | ___ | ___ | ___ |
| 2. | Upper management participates in key decision making including budgets, purchases of expensive goods and services and the hiring and firing of employees. | ___ | ___ | ___ |
| 3. | A mechanism (such as a legislative liaison officer) exists to identify and communicate changes in legal requirements to upper management. | ___ | ___ | ___ |
| 4. | A detailed organization chart is maintained indicating the lines of authority throughout the agency. | ___ | ___ | ___ |
| 5. | Planning documents, policy memorandums and procedural manuals are used by upper management to communicate and define goals and objectives and outline the methods to be followed by employees in achieving the goals and objectives. All employees have access to these materials. | ___ | ___ | ___ |

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| | | Yes | *No | N/A |
|-----|--|-----|-----|-----|
| 6. | Management has developed a formal system for communicating and coordinating efforts between divisions, regional offices, and the various programs. This may include management meetings, policy memorandums, newsletters, etc. | ___ | ___ | ___ |
| 7. | Any advisory boards, boards of trustees, etc. required to be established by statute are functioning and providing guidance to upper management. | ___ | ___ | ___ |
| 8. | The meetings of any advisory boards, boards of trustees, etc. are properly documented including attendance, topics of discussion, and decisions reached. | ___ | ___ | ___ |
| 9. | Reports are submitted to upper management on a regular basis which summarize activities, programs, transactions and financial status. | ___ | ___ | ___ |
| 10. | Procedures exist to establish and maintain all rules or regulations required by the statutes specific to the agency or under the Administrative Procedures Act. | ___ | ___ | ___ |
| 11. | Upper management has delegated appropriate responsibility for agency operations to lower level management and has delegated the authority also necessary to carry out the assigned duties. | ___ | ___ | ___ |
| 12. | A record retention policy has been developed which complies with the State Records Act while allowing for the destruction of obsolete records. | ___ | ___ | ___ |

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| | | Yes | *No | N/A |
|-----|--|-----|-----|-----|
| 13. | Management has implemented a quality control program to assess agency programs and services to the public. | ___ | ___ | ___ |
| 14. | Management has implemented an adequate internal audit program. | ___ | ___ | ___ |

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2. ADMINISTRATIVE SUPPORT SERVICES

FCIAA Reference: Ill. Rev. Stat., 1989 ch. 15, par. 3001(1)

CONTROL OBJECTIVES:

1. Periodicals, pamphlets and audiovisual products are related to the agency mission, contribute to solution of an identifiable need, and are appropriate in format and scope for the intended audience.
2. Periodicals, pamphlets and audiovisual products are not duplicative of other materials that convey the same message.
3. Periodicals, pamphlets and audiovisual products are produced or acquired in a cost-effective manner.
4. Completed periodicals, pamphlets and audiovisual products are consistent with planned product and distributed in conformance with approved distribution plan.
5. Services are secured for an appropriate purpose, i.e., to obtain specialized opinions or professional or technical advice which does not exist or is not available within the agency or another agency; outside points of view to avoid excessively limited judgments on critical issues; advice regarding developments in industry, university or foundation research; opinion of noted experts whose national prestige can contribute to the success of important projects; or assistance to complete a necessary project within a specified period of time.
6. Services are not used to perform work of a policy-making or managerial nature that is the direct responsibility of agency officials; or to bypass or undermine personnel ceilings, pay limitations or competitive employment procedures; or to aid in influencing or enacting legislation.
7. Services are secured through maximum competition, without preference to former government employees.
8. Payments for services bear a relation to work completed.

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9. Services provided meet the organization's specific needs and advice and recommendations are implemented, unless there are valid reasons to the contrary.
10. Long-term training is provided only when the necessary knowledge or skills require a comprehensive study program which cannot be accomplished by a series of unconnected short-term courses; the time span for the acquisition of the knowledge or skill is such that a long-term program is most feasible; and the set of knowledges or skills is so complex, new and unique that it cannot be readily obtained on a short-term basis or through other means.
11. Nominees continue in agency service for an appropriate period following completion of long-term training.
12. Long-term training is relevant to selected employees' current or projected assignments; required skills and knowledge; individual development plan and career potential; and is appropriate for his or her commitment to the organization.
13. Need for and intended use of space is adequately justified.
14. Requesting unit conforms with space allowance standards.
15. Space is leased on the most favorable basis to the State, with due consideration to maintenance and operational efficiency.
16. Lease charges are consistent with prevailing scales in the community for comparable facilities.
17. Legal requirements, e.g., facilities for the handicapped, fire safety features, are satisfied.
18. Lease contains provisions necessary to administer the agreement, such as duration of lease, including clearly stated renewal rights; base for future escalations; liquidated damages provision; stated costs for overtime usage; and termination rights.
19. Lease conforms with agency and administration goals and priorities and legal requirements.

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2A. GENERAL INTERNAL CONTROL REVIEW CRITERIA

Monitoring

| | | Yes | *No | N/A |
|----|--|-----|-----|-----|
| 1. | Does the agency have a documented system for routine program monitoring? | ___ | ___ | ___ |
| 2. | Have measurement criteria been developed to assess progress toward objectives specified in planning and budget documents? | ___ | ___ | ___ |
| 3. | Has agency management also established output measures to assess productivity and efficiency? | ___ | ___ | ___ |
| 4. | Has agency management also established effectiveness measures to avoid the sacrifice of effectiveness for efficiency or productivity? | ___ | ___ | ___ |
| 5. | Has agency management used cost-benefit or cost-effectiveness analyses to set program priorities and to select program strategies or procedures? | ___ | ___ | ___ |
| 6. | Is there evidence of administrative action (such as staff reallocations) based on monitoring information? | ___ | ___ | ___ |
| 7. | Has responsibility for monitoring programs and procedures been formally assigned? | ___ | ___ | ___ |
| 8. | Has responsibility for achieving objectives been assigned and documented? | ___ | ___ | ___ |

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| | | Yes | *No | N/A |
|-----|---|-----|-----|-----|
| 9. | Has agency management implemented controls to verify the accuracy of data in management and monitoring reports? | ___ | ___ | ___ |
| 10. | Do unit and program managers and staff say they use monitoring reports? | ___ | ___ | ___ |
| 11. | Is there a procedure to periodically review user needs and satisfaction with monitoring reports? | ___ | ___ | ___ |
| 12. | Is there evidence that reports have been discontinued or modified in response to user reviews? | ___ | ___ | ___ |

2B. ADDITIONAL INTERNAL CONTROL REVIEW CRITERIA

Loss Management-General

| | | | | |
|-----|--|-----|-----|-----|
| 13. | Are the entity's operations continually monitored to identify vulnerabilities or areas of potential loss? | ___ | ___ | ___ |
| 14. | Is there a loss prevention program (consisting of physical and procedural controls) designed to prevent loss of funds, property and information? | ___ | ___ | ___ |
| 15. | Are loss prevention measures routinely monitored and updated? | ___ | ___ | ___ |
| 16. | Is a designated supervisor responsible for monitoring compliance with security rules, and reporting violations? | ___ | ___ | ___ |

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| | | Yes | *No | N/A |
|-----|---|-----|-----|-----|
| 17. | Does the entity promptly correct weaknesses in internal controls, identified by external audits or departmental internal reviews? | ___ | ___ | ___ |
| | <u>Employee Conduct</u> | | | |
| 18. | Do new employees assigned to areas vulnerable to theft, diversion, or sabotage receive an initial security orientation? | ___ | ___ | ___ |
| 19. | Does this initial security orientation explain existing security rules and expected behavior? | ___ | ___ | ___ |
| 20. | Are supervisory and management personnel alert to drastic changes in the standard of living of employees? | ___ | ___ | ___ |
| 21. | Are rumors about waste, abuse, theft or personal misconduct of an employee (gambling, substance abuse) investigated? | ___ | ___ | ___ |
| 22. | Does the entity consistently apply sanctions against employees for violating security regulations? | ___ | ___ | ___ |
| 23. | Are those employees required to file a financial disclosure statement, filing it in a timely manner? | ___ | ___ | ___ |

Access to Facilities

(These questions apply 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 the facilities which are not routinely open to public access.)

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| | | Yes | *No | N/A |
|-----|--|-----|-----|-----|
| 24. | Is lock and key control of facilities, offices, and storage areas designated only to necessary persons? | ___ | ___ | ___ |
| 25. | Are key or access code control procedures strictly enforced and monitored? | ___ | ___ | ___ |
| 26. | Is the distribution of keys or access codes recorded and updated when employees leave? | ___ | ___ | ___ |
| 27. | Are keys or card keys retrieved from terminated or transferred employees? | ___ | ___ | ___ |
| 28. | Are tumblers or access codes routinely changed when employees leave or if keys are lost? | ___ | ___ | ___ |
| 29. | Are security or reception area personnel notified of employee terminations? | ___ | ___ | ___ |
| 30. | Do only necessary persons have the ability to deactivate alarm systems? | ___ | ___ | ___ |
| 31. | Does policy require all offices, storage areas, and facility entrances to be locked during non-business/non-public access hours? | ___ | ___ | ___ |
| 32. | Is an after-hours entry register maintained? | ___ | ___ | ___ |
| 33. | Are employees, including managers, issued and, where necessary, required to display identification badges at the work site? | ___ | ___ | ___ |
| 34. | Are visitors issued and required to display badges or passes for non-public access areas of State facilities? | ___ | ___ | ___ |

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| | | Yes | *No | N/A |
|-----|---|-----|-----|-----|
| 35. | Are visitors escorted to their destination? | ___ | ___ | ___ |
| 36. | Is it routine procedure to stop and question persons in State facilities not displaying employee or visitor identification? | ___ | ___ | ___ |
| 37. | Does a procedure exist for inspecting or spot checking packages carried by exiting visitors or employees? | ___ | ___ | ___ |
| 38. | Is there monitoring or supervision of after-hours janitorial workers? | ___ | ___ | ___ |
| | <u>Records</u> | | | |
| 39. | Are all incoming documents date stamped? | ___ | ___ | ___ |
| 40. | Are fire-proof containers used for all confidential and critical documents, and are they secured at the end of each day? | ___ | ___ | ___ |
| 41. | Do written procedures exist for destroying or disposing confidential or privileged documents and financial instruments (e.g., unissued bonds which will not be issued)? | ___ | ___ | ___ |
| 42. | Are all incidents of suspected tampering with documents or electronic data promptly investigated and reported? | ___ | ___ | ___ |
| | <u>Contract Security Services</u> | | | |
| | (For use only by those entities which employ contract security services) | | | |
| 43. | Is the contractor licensed and bonded in the State of Illinois? | ___ | ___ | ___ |

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| | | Yes | *No | N/A |
|-----|---|-----|-----|-----|
| 44. | As part of the contractor selection process, are vendors required to be fully insured for liability and workmen's compensation? | ___ | ___ | ___ |
| 45. | Is the contractor required to conduct criminal investigations for background those guards who will be used for your facilities? | ___ | ___ | ___ |
| 46. | Do you establish minimum standards of performance for the contractor? | ___ | ___ | ___ |
| 47. | Does the contract require all security guards carrying weapons to be trained and certified? | ___ | ___ | ___ |
| 48. | Have all security guards assigned to your facilities been individually licensed? | ___ | ___ | ___ |
| 49. | Are security personnel who have arrest authority on State property sworn public safety officers? | ___ | ___ | ___ |
| 50. | Do security personnel report directly to the State official (or deputy) in charge of each State facility for instructions? | ___ | ___ | ___ |
| 51. | Are written reports received from the contract security service after each shift? | ___ | ___ | ___ |
| 52. | Are security personnel trained to respond to emergency conditions such as fire? | ___ | ___ | ___ |
| 53. | Do all security personnel have an updated emergency call list? | ___ | ___ | ___ |

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3. BUDGETING, ACCOUNTING AND REPORTING

FCIAA Reference: Ill. Rev. Stat., 1989, Ch. 15, par. 3001(4)

CONTROL OBJECTIVES:

1. The authorized budget reflects, to the appropriate degree of accuracy, anticipated revenues and appropriations.
2. Approved final budgets are properly entered into the agency's systems.
3. Changes made to budgets are properly approved and entered into the appropriate agency systems.
4. All valid general ledger entries, and only those entries, should be accurately recorded in the general ledger.
5. To provide for consistent, reliable and timely accounting and reporting.

3A. GENERAL INTERNAL CONTROL REVIEW CRITERIA

| | Yes | *No | N/A |
|--|-----|-----|-----|
| 1. The budgeting process is completed with the advice and assistance of various line personnel. Division budgets are prepared and submitted to an employee responsible for preparing the agency-wide budget. | ___ | ___ | ___ |
| 2. The effects of any budgetary increases and decreases made by upper management, the Bureau of the Budget, the General Assembly, or the Governor during the appropriation process are promptly communicated to divisions. | ___ | ___ | ___ |

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| | | Yes | *No | N/A |
|-----|---|-----|-----|-----|
| 3. | When additional funding is needed, supplemental appropriations are requested in a timely manner. | ___ | ___ | ___ |
| 4. | Staffing levels and competence of personnel are adequate to meet accounting and reporting requirements including GAAP requirements. | ___ | ___ | ___ |
| 5. | Assignments of accounting and reporting responsibilities and related lines of authority are clearly defined and appropriate. | ___ | ___ | ___ |
| 6. | Internal reporting has been designed to meet the needs of upper management and the requirements of each level of supervision. | ___ | ___ | ___ |
| 7. | Major problems, exceptions and trends are highlighted in the internal reporting system. | ___ | ___ | ___ |
| 8. | Internal reports are reviewed for accuracy and submitted to upper management on a regular basis and in a timely manner. | ___ | ___ | ___ |
| 9. | Accounting personnel and records at all locations are under the supervision and control of a principal accounting officer. | ___ | ___ | ___ |
| 10. | There are written accounting, policy, and procedural manuals which are regularly updated and distributed to the appropriate personnel. | ___ | ___ | ___ |
| 11. | The accounting books and records cover all agency assets and transactions, are well organized, and are adequately secured. | ___ | ___ | ___ |
| 12. | Procedures are adequate to ensure that agency books and accounting reports are supported by subsidiary records and other documentation. | ___ | ___ | ___ |

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| | | Yes | *No | N/A |
|-----|--|-----|-----|-----|
| 13. | Reporting procedures are adequate to provide reasonable assurances that reports issued to the public include all data which is legally required to be disclosed. | ___ | ___ | ___ |
| 14. | Procedures exist to ensure that all data submitted to the Comptroller during the preparation of the Statewide GAAP financial statements is complete, accurate, and promptly submitted. | ___ | ___ | ___ |
| 15. | The agency receives and utilizes important publications of other agencies including: | | | |
| a. | CUSAS Manual and related revisions issued by the Comptroller. | ___ | ___ | ___ |
| b. | Accounting Bulletins issued by the Comptroller. | ___ | ___ | ___ |
| c. | Appropriation books issued by the Comptroller. | ___ | ___ | ___ |
| d. | Property Manual and related memos issued by the Department of Central Management Services. (DCMS) | ___ | ___ | ___ |
| e. | Procurement Services Division Manual and related Procurement Bulletins issued by DCMS. | ___ | ___ | ___ |
| f. | Personnel Rules, Group Insurance memos, and Payroll Bulletins issued by DCMS. | ___ | ___ | ___ |
| g. | Vehicle Rules and Vehicle Operator's Instructions issued by DCMS. | ___ | ___ | ___ |
| h. | Telecommunications Policy and Guidelines issued by DCMS. | ___ | ___ | ___ |

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| | | Yes | *No | N/A |
|-----|---|-----|-----|-----|
| 16. | A system is in place to compare actual revenues to projected revenues and prior year's revenues. Explanations of significant variations are submitted to upper management. | ___ | ___ | ___ |
| 17. | A system is in place to compare actual expenditures to budgeted expenditures and prior year's expenditures. Explanations of significant variations are submitted to upper management. | ___ | ___ | ___ |
| 18. | Procedures exist to prohibit appropriations from being used to pay for expenditures of other agencies and other divisions within an agency. | ___ | ___ | ___ |
| 19. | Procedures are adequate to ensure that appropriations or grant funds received for a specific purpose or program are utilized for the intended purpose. | ___ | ___ | ___ |
| 20. | The accounting system is designed to protect any data which is required to remain confidential. | ___ | ___ | ___ |
| 21. | The authority to approve expenditures, contracts, grants, etc. for the agency head has been delegated only to a few key management personnel. | ___ | ___ | ___ |
| 22. | The signature authority is promptly revoked when the employee leaves the agency. | ___ | ___ | ___ |
| 23. | The accounting system is designed to eliminate the duplicate recording of any transaction. | ___ | ___ | ___ |
| 24. | Anticipated cash shortages, fund deficits, or lack of appropriations are immediately reported to upper management. | ___ | ___ | ___ |

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| | | Yes | *No | N/A |
|-----|---|-----|-----|-----|
| 25. | Transfers between appropriated line items are reviewed and approved by upper management. | ___ | ___ | ___ |
| 26. | Transactions between funds are posted to all affected funds in the same accounting period and in a timely manner. | ___ | ___ | ___ |
| 27. | Records exist to provide the current cash balance of each fund controlled by the agency at any point in time. | ___ | ___ | ___ |
| 28. | The balance in each fund is reconciled each month to the Comptroller's fund balance by an independent person. | ___ | ___ | ___ |

3B. ADDITIONAL INTERNAL CONTROL REVIEW CRITERIA

Financial Reporting:

Some questions will not apply depending on which accounting system is used by the agency.

General - Segregation of Duties

| | | Yes | *No | N/A |
|-----|---|-----|-----|-----|
| 29. | Is the responsibility for reviewing and approving financial reports segregated from the responsibility for preparing the reports? | ___ | ___ | ___ |
| 30. | Do different people maintain the general ledger and the subsidiary ledgers? | ___ | ___ | ___ |
| 31. | Are different people responsible for maintaining the custody of assets and the general ledger? | ___ | ___ | ___ |
| 32. | Is the preparation and approval of journal entries segregated? | ___ | ___ | ___ |

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| | | Yes | *No | N/A |
|-----|---|-----|-----|-----|
| 33. | Is it reconciled monthly to CUSAS? | ___ | ___ | ___ |
| 34. | Do books of account include a general ledger? | ___ | ___ | ___ |
| 35. | Are all postings to general and subsidiary ledgers required to support entries in books of original entry or journal entries? | ___ | ___ | ___ |
| 36. | Are journal entries: | | | |
| | 1. Clearly referenced to indicate their source? | ___ | ___ | ___ |
| | 2. Standardized for content and identification? | ___ | ___ | ___ |
| | 3. Supported by readily identifiable data? | ___ | ___ | ___ |
| | 4. Reviewed and approved by a responsible official? | ___ | ___ | ___ |
| 37. | Is access to accounting records limited at all times to persons whose duties require it? | ___ | ___ | ___ |
| 38. | Is there a chart of accounts supplemented by definitions of items included in the accounts? | ___ | ___ | ___ |
| 39. | Are there written instructions on how to record specific accounting transactions? | ___ | ___ | ___ |
| 40. | Is the CUSAS Manual, issued by the Office of the Comptroller, available to all accountants and do they use the procedures? | ___ | ___ | ___ |
| 41. | Is the accounting system: | | | |
| | 1. Posted on a current basis? | ___ | ___ | ___ |
| | 2. Balanced at least monthly? | ___ | ___ | ___ |

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| | | Yes | *No | N/A |
|-----|---|-----|-----|-----|
| 42. | Is there continuing supervision and review to determine that: | | | |
| 1. | Prescribed policies are being carried out? | ___ | ___ | ___ |
| 2. | Procedures are not obsolete? | ___ | ___ | ___ |
| 3. | Corrective actions are taken promptly? | ___ | ___ | ___ |
| 43. | 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? | ___ | ___ | ___ |
| 44. | Is a periodic review of the entity's CUSAS 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? | ___ | ___ | ___ |
| 45. | Are appropriate GAAP fiscal year-end closing forms accurately prepared and submitted to the Comptroller's Office on a timely basis? | ___ | ___ | ___ |
| 46. | 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? | ___ | ___ | ___ |

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4. PURCHASING, CONTRACTING, AND LEASING

FCIAA Reference: Ill. Rev. Stat., 1989, ch. 15. 3001(2)

CONTROL OBJECTIVES:

1. A proper segregation of duties should exist to safeguard assets and provide appropriate checks and balances.
2. To receive the quantity and quality of goods and services ordered.
3. A proper segregation of duties should exist to safeguard assets and provide appropriate checks and balances.
4. Purchases are initiated 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.
5. Procurement procedures are in compliance with CUSAS.
6. Appropriate payment is made only when satisfactory goods and services are received and all transactions are accurately recorded.
7. Competitive procurement is used whenever practical and awards are made to low bidders meeting specifications.
8. Contractors adhere to specifications and use changes orders only when necessary.

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4A. GENERAL INTERNAL CONTROL REVIEW CRITERIA

| | | Yes | *No | N/A |
|-----|---|-----|-----|-----|
| 1. | Procurement procedures and purchasing rules are documented and include a definition of responsibilities. | ___ | ___ | ___ |
| 2. | Procedures exist to ensure that the DCMS Procurement Services Division is utilized to make purchases whenever required or necessary. | ___ | ___ | ___ |
| 3. | Adequate coordination exists between various organizational units regarding procurement activities to ensure that duplicate purchases are not made by different units and that maximum advantages is gained through quantity discounts. | ___ | ___ | ___ |
| 4. | Purchasing division staff levels and capabilities are adequate. | ___ | ___ | ___ |
| 5. | Formal competitive bidding procedures exist for procurements made by the agency which are required to be bid. | ___ | ___ | ___ |
| 6. | The public is adequately notified of bid openings and has access to documents needed to file bids. | ___ | ___ | ___ |
| 7. | The bid opening process is properly supervised and documented. | ___ | ___ | ___ |
| 8. | Requisitions are approved by the accounting division for fund availability prior to the issuance of a purchase order. | ___ | ___ | ___ |
| 9. | Purchases of goods and services are initiated with properly completed requisitions which are approved by management. | ___ | ___ | ___ |
| 10. | The persons authorized to approve purchases are clearly defined as are the limits to their authority. | ___ | ___ | ___ |

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| | | Yes | *No | N/A |
|-----|---|-----|-----|-----|
| 11. | Requisitions for expensive goods and services require a higher level of approval. | ___ | ___ | ___ |
| 12. | Purchase orders and contracts are numbered and issued sequentially to control their use. | ___ | ___ | ___ |
| 13. | Purchase prices, for goods not procured through DCMS, are reviewed periodically by an independent person. | ___ | ___ | ___ |
| 14. | Several price quotations are obtained and documented prior to placing orders which are not subject to DCMS procurement or competitive bidding requirements. | ___ | ___ | ___ |
| 15. | Purchases subject to competitive bidding but not bid due to an emergency situation are properly handled. Emergency Purchase Affidavits are filed with the Office of the Auditor General in a timely manner. | ___ | ___ | ___ |
| 16. | The "stringing of purchases" or splitting of orders to avoid higher levels of approval is prohibited. | ___ | ___ | ___ |
| 17. | Small purchases not made through DCMS are properly charged to blanket purchase authorizations which have been approved by DCMS. | ___ | ___ | ___ |
| 18. | Procurement procedures are appropriately modified when funds to be disbursed are restricted, or if more stringent procurement procedures are required under a grant agreement. | ___ | ___ | ___ |
| 19. | Procedures have been developed to determine whether purchases would be allowable expenditures under grant agreements prior to placing the purchase order. | ___ | ___ | ___ |

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| | | Yes | *No | N/A |
|-----|--|-----|-----|-----|
| 20. | There is an adequate record maintained of open purchase orders. Purchase orders not filled in a reasonable time are investigated. | ___ | ___ | ___ |
| 21. | Changes to contracts or purchase orders are subject to the same controls and approvals as the original agreement. The accounting division is notified of any changes in price. | ___ | ___ | ___ |
| 22. | For agencies with a separate receiving function, receiving reports are prepared for all purchased goods upon delivery. | ___ | ___ | ___ |
| 23. | Steps are taken to ensure that all goods received are accurately counted and examined to see that they meet quality standards and fulfill the requirements of the purchase order. | ___ | ___ | ___ |
| 24. | There are procedures in effect which require the various employees responsible for receiving goods or services to sign the invoice voucher as receiving officer. | ___ | ___ | ___ |
| 25. | Procedures provide for the filing of claims against carriers or vendors for shortages, damaged goods, or other unacceptable orders. | ___ | ___ | ___ |
| 26. | When contracting for printing services, or when materials are being printed at the agency, procedures exist to require certain wording be included in all publications as required under the Printing Contracts Act. (number of copies, date, and "Printed by Authority of the State of Illinois") | ___ | ___ | ___ |
| 27. | The persons responsible for requisitioning goods and/or negotiating contracts are not involved in accounting for the related expenditures. | ___ | ___ | ___ |

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| | | Yes | *No | N/A |
|-----|--|-----|-----|-----|
| 28. | The persons responsible for receiving and inspecting goods received are not involved in the requisitioning or the accounting for related expenditures. | ___ | ___ | ___ |
| | Contracting and Leasing | | | |
| 29. | Contracting and leasing procedures have been developed and documented and include a definition of responsibilities. | ___ | ___ | ___ |
| 30. | All contracts and leases must be approved by upper management. | ___ | ___ | ___ |
| 31. | Contracts and leases must be approved by all parties involved prior to the effective date of the contract. | ___ | ___ | ___ |
| 32. | There are procedures in effect to determine that contractual obligations were fulfilled prior to making the final payment to contractors. | ___ | ___ | ___ |
| 33. | Contracts for professional and artistic services exceeding \$5,000 are reduced to writing. | ___ | ___ | ___ |
| 34. | Contracts and leases exceeding \$5,000 are filed with the Comptroller (as well as any amendments to the contracts) in a timely manner. | ___ | ___ | ___ |
| 35. | Leases for office or other space, buildings, or land are reduced to writing and filed with the Secretary of State and the Comptroller. | ___ | ___ | ___ |
| 36. | Contractual liabilities are properly obligated as required under CUSAS. | ___ | ___ | ___ |
| 37. | There is a system in effect to monitor the progress of large or lengthy contracts. | ___ | ___ | ___ |

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| | | Yes | *No | N/A |
|-----|--|-----|-----|-----|
| 38. | The agency does not permit hiring employees on a contractual basis to reduce its headcount and/or avoid paying employee benefits. | ___ | ___ | ___ |
| 39. | The agency does not allow leasing equipment in order to circumvent the procurement process and/or an insufficient equipment appropriation. | ___ | ___ | ___ |
| 40. | Professional services contracts include terms for the reimbursement of travel and other expenses anticipated by the contractor. | ___ | ___ | ___ |
| 41. | There are procedures for the withholding of taxes on contractual employees when required by federal law. | ___ | ___ | ___ |
| 42. | The agency does not allow contracting with State employees or their relatives without the contractor obtaining the proper exemption from the Governor. | ___ | ___ | ___ |
| 43. | Competitive bids are required to be obtained on certain contracts and leases as required by the Purchasing Act. | ___ | ___ | ___ |
| 44. | Standard contracts used by the agency contain all required clauses as explained in Section 15 of the CUSAS Manual. | ___ | ___ | ___ |
| 45. | The agency permits entering into multi-year contracts and leases only as allowed under the Purchasing Act. | ___ | ___ | ___ |
| 46. | Leases of office space and storage space by agencies subject to the Governor are approved by DCMS as required by statute. | ___ | ___ | ___ |
| 47. | Procedures exist to insure that the leasing of equipment does not exceed the cost of purchasing and maintaining similar equipment. | ___ | ___ | ___ |

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| | | Yes | *No | N/A |
|-----|---|-----|-----|-----|
| 48. | Procedures exist to review billings from contractors for compliance with the contract prior to making payments. | ___ | ___ | ___ |
| 49. | The Agency Contract Report received from the Comptroller is reconciled to agency records on a monthly basis by an independent person. | ___ | ___ | ___ |

4B. ADDITIONAL INTERNAL CONTROL REVIEW CRITERIA

**Procurement of Goods and Services and
Other Disbursements**

| | | | | |
|-----|--|-----|-----|-----|
| 50. | Are the requisitioning, purchasing and receiving functions segregated from the invoice processing accounts payable and general ledger functions? | ___ | ___ | ___ |
| 51. | Is the purchasing function segregated from requisitioning and receiving functions? | ___ | ___ | ___ |
| 52. | Are the invoice processing and accounts payable functions segregated from the general ledger functions? | ___ | ___ | ___ |
| 53. | Is the disbursement approval function segregated from the disbursement preparation function? | ___ | ___ | ___ |
| 54. | Do officials who know program requirements approve purchase requisitions? | ___ | ___ | ___ |
| 55. | Is adequate justification sought before approving requisitions that increase supplies, materials or services significantly beyond that originally anticipated? | ___ | ___ | ___ |
| 56. | Do senior officials justify and approve requisitions that designate the source of supply for goods or services? | ___ | ___ | ___ |

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| | | Yes | *No | N/A |
|-----|--|-----|-----|-----|
| 57. | Contracts - Does your entity know about and use existing Statewide contracts? | ___ | ___ | ___ |
| 58. | Warehouse items - Does your entity order stock items from the warehouse? | ___ | ___ | ___ |
| 59. | Delegated Purchases - Does your entity know the regulations for and document the use of these delegations? | ___ | ___ | ___ |
| 60. | Are purchase orders accounted for and reviewed periodically for any that are outstanding? | ___ | ___ | ___ |
| 61. | Are receiving records accounted for and reviewed periodically for any that have not been matched with an invoice and paid on time? | ___ | ___ | ___ |
| 62. | Are unmatched receiving records regularly reviewed to find out why they are outstanding? | ___ | ___ | ___ |
| 63. | Do delivery instructions for goods consistently require that deliveries be made to designated State facilities within normal working hours? | ___ | ___ | ___ |
| 64. | Does an individual (other than the requisitioning official) who knows the goods were received prepare a written record of receipt? | ___ | ___ | ___ |
| 65. | If receipted items are for inventory, is a copy of the receiving report forwarded to the inventory clerk? | ___ | ___ | ___ |
| 66. | 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? | ___ | ___ | ___ |

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5. EXPENDITURE CONTROL

FCIAA Reference: Ill. Rev. Stat., 1989, ch. 15, par. 3001(2)

CONTROL OBJECTIVES:

1. Expenditures are valid and properly approved.
2. Expenditures are recorded promptly and accurately in the appropriate accounts.
3. The agency has generally complied with applicable laws and regulations.
4. The agency is maintaining effective accounting control over expenditures.

5A. GENERAL INTERNAL CONTROL REVIEW CRITERIA:

| | Yes | *No | N/A |
|--|-----|-----|-----|
| 1. In keeping with fund accounting theory, the agency has implemented a system of recording obligations to keep track of expenditures expected to be incurred. | ___ | ___ | ___ |
| 2. Procedures exist to ensure that appropriation balances, fund balances, and obligation balances are sufficient prior to the approval of any purchase orders or any vouchers. | ___ | ___ | ___ |
| 3. Obligations are established only from properly authorized purchase orders, contracts and leases. | ___ | ___ | ___ |
| 4. The expenditure processing system is designed to eliminate duplicate payments to vendors. | ___ | ___ | ___ |

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| | | Yes | *No | N/A |
|-----|---|-----|-----|-----|
| 5. | Obligations are required to be applied against the appropriate account and not against the account most able to bear the cost. | ___ | ___ | ___ |
| 6. | Vouchers are numbered sequentially with a new series of numbers beginning each year. Procedures ensure that duplicate voucher numbers will not occur. | ___ | ___ | ___ |
| 7. | Vendors are required to send all invoices to a centralized location within the agency. | ___ | ___ | ___ |
| 8. | Controls exist over unpaid vendor invoices until goods or service are received and they can be matched with receiving reports or shipping documents and paid. | ___ | ___ | ___ |
| 9. | There are procedures in effect to ensure that vendor invoices are paid promptly as required by statute. | ___ | ___ | ___ |
| 10. | Advance payments are made only in certain instances in accordance with statutory restrictions. | ___ | ___ | ___ |
| 11. | Invoice voucher preparation procedures provide for: | | | |
| | a. Checking vendor invoices for mathematical accuracy. | ___ | ___ | ___ |
| | b. Agreeing vendor invoices to purchase orders and receiving reports. | ___ | ___ | ___ |
| 12. | Vouchers are permitted to be charged only against the program to which they relate and not charged against the program most able to bear the cost. | ___ | ___ | ___ |

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| | | Yes | *No | N/A |
|-----|--|-----|-----|-----|
| 13. | There is a numerical listing maintained of all vouchers submitted to the Comptroller's Office for payment (voucher register). | ___ | ___ | ___ |
| 14. | The expenditure recording system allows for the rapid determination of available balance in any appropriated line item. | ___ | ___ | ___ |
| 15. | Vouchers are immediately posted to the voucher register and posted against the related obligation. | ___ | ___ | ___ |
| 16. | Invoice-vouchers are reviewed for completeness and accuracy, and agreed to supporting documentation before being approved by management. | ___ | ___ | ___ |
| 17. | Large or unusual vouchers require a higher level of approval. | ___ | ___ | ___ |
| 18. | Vouchers written during the lapse period are stamped with the fiscal year from which the expenditures are to be paid. | ___ | ___ | ___ |
| 19. | The filing system allows for the rapid access of any voucher or obligation. Vouchers are filed in numerical and/or alphabetic (by vendor) order. | ___ | ___ | ___ |
| 20. | Obligated funds which are no longer needed are promptly deobligated so that the funds can be made available for other purposes. | ___ | ___ | ___ |
| 21. | Accounting and purchasing units are promptly notified of returned purchases. Procedures are adequate to ensure that vendors are not paid when merchandise has been returned. | ___ | ___ | ___ |

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| | | Yes | *No | N/A |
|-----|--|-----|-----|-----|
| 22. | Voided warrants and vendor refunds relating to current year expenditures are promptly added back on agency expenditure records. | ___ | ___ | ___ |
| 23. | Procedures are adequate to ensure that sales and use taxes are not paid on any purchase of goods or services. | ___ | ___ | ___ |
| 24. | Expenditures per books are reconciled to Comptroller's reports each month by an independent person. | ___ | ___ | ___ |
| 25. | Obligation activity and balances per agency books are reconciled to Comptroller's obligation reports each month by an independent person. | ___ | ___ | ___ |
| 26. | Transfers between line items requested by the agency are reconciled to Comptroller's reports each month by an independent person. | ___ | ___ | ___ |
| 27. | The person responsible for initially recording vouchers does not have access to books summarizing expenditures. | ___ | ___ | ___ |
| 28. | The person responsible for recording vouchers and obligations does not have authority to approve transactions. | ___ | ___ | ___ |
| | TRAVEL | | | |
| 29. | Each employee has been provided with a copy of the applicable travel regulations and all related memos. | ___ | ___ | ___ |
| 30. | There is a system in effect to approve all major travel expenditures, such as significant out-of-state travel, in advance. Vouchers are not paid unless the written advance approval is on file. | ___ | ___ | ___ |

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| | | Yes | *No | N/A |
|---------------------------|--|-----|-----|-----|
| 31. | Deviations between budgeted travel costs and actual expenses incurred must be explained to management. | ___ | ___ | ___ |
| 32. | Procedures exist to compare direct bill charges to employee travel vouchers to determine the accuracy of the direct bill charges and prevent the duplicate payment of costs. | ___ | ___ | ___ |
| 33. | Employees have been assigned the responsibility for reviewing all travel vouchers for compliance with travel regulations. | ___ | ___ | ___ |
| 34. | Exceptions to travel regulations are submitted to the Travel Control Board. | ___ | ___ | ___ |
| 35. | Driving distances claimed by employees using personal automobiles are reviewed for reasonableness. | ___ | ___ | ___ |
| 36. | Employees driving personal automobiles are required to be licensed and carry minimum liability insurance. | ___ | ___ | ___ |
| 37. | There are controls in place to prevent the unnecessary use of State-owned or chartered airplanes and helicopters. | ___ | ___ | ___ |
| TELECOMMUNICATIONS | | | | |
| 38. | Employees have been assigned to perform detailed reviews of all telecommunications invoices to determine: | | | |
| a. | That all phone numbers and credit card numbers shown on billings actually belong to the agency. | ___ | ___ | ___ |
| b. | That all charges appear to be made for business related purposes. | ___ | ___ | ___ |

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| | | Yes | *No | N/A |
|--------------------|---|-----|-----|-----|
| 39. | There are controls over the issuance of credit cards which include the immediate revocation of cards for terminated employees. | ___ | ___ | ___ |
| 40. | Employees are required to explain unusual calls and especially calls made to employee residences. | ___ | ___ | ___ |
| 41. | Employees found making personal phone calls are billed for the costs incurred plus an administrative fee, and discouraged from making personal calls in the future. | ___ | ___ | ___ |
| 42. | There are policies in effect which prohibit third-party calls and the accepting of collect calls. | ___ | ___ | ___ |
| 43. | If logs are maintained on long distance calls, procedures exist to reconcile the logs to the monthly billings. | ___ | ___ | ___ |
| AUTOMOBILES | | | | |
| 44. | The agency is fully utilizing all vehicles under its control and disposes of vehicles which are no longer needed. | ___ | ___ | ___ |
| 45. | Special State License plates have been obtained for all vehicles unless the vehicle is exempted by statute. | ___ | ___ | ___ |
| 46. | There are procedures in effect to ensure that all vehicles are properly maintained and meet minimum legal and safety standards. | ___ | ___ | ___ |
| 47. | There are controls in place to monitor vehicle costs and dispose of vehicles which become too costly to operate. | ___ | ___ | ___ |
| 48. | Short-term vehicle rentals are made through the DCMS motor pool whenever possible. | ___ | ___ | ___ |

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| | | Yes | *No | N/A |
|--|---|-----|-----|-----|
| 49. | There are policies in effect which require that gas and oil be purchased at State-owned facilities whenever possible. | ___ | ___ | ___ |
| 50. | Repairs and parts are purchased through DCMS whenever possible. DCMS approval is obtained when purchases are being made from outside vendors. | ___ | ___ | ___ |
| 51. | Employees are required to submit charge slips on a regular basis, and report odometer readings on all vehicles monthly. | ___ | ___ | ___ |
| 52. | Billings received from DCMS and outside vendors are traced to charge slips signed by agency employees prior to payment. | ___ | ___ | ___ |
| 5B. ADDITIONAL INTERNAL CONTROL REVIEW CRITERIA | | | | |
| 53. | Are invoices checked to be sure only original invoices are processed for payment? | ___ | ___ | ___ |
| 54. | Are records maintained and reviewed of goods returned and claims made? | ___ | ___ | ___ |
| 55. | Are records of recurring payments maintained to detect skipped or duplicate payments? | ___ | ___ | ___ |
| 56. | Are regular comparisons made of statements from vendors with recorded accounts payable? | ___ | ___ | ___ |
| 57. | Are procedures adequate to ensure that the object/detail object codes to be charged are proper? | ___ | ___ | ___ |
| 58. | Are all transmittals approved only by authorized personnel who review supporting documentation at least on a test basis? | ___ | ___ | ___ |

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| | | Yes | *No | N/A |
|-----|---|-----|-----|-----|
| 59. | Are all transmittals assigned a sequential agency list number? | — | — | — |
| 60. | Is a periodic review of undeliverable checks and cancelled checks made by someone independent of the transmittal process? | — | — | — |
| 61. | Is a listing maintained of all outstanding travel advances; and compared to appropriate expense reports? | — | — | — |
| 62. | Are all travel advances settled promptly when travel is completed? | — | — | — |
| 63. | Is each expense report and supporting documentation reviewed for compliance with State regulations? | — | — | — |

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6. PERSONNEL AND PAYROLL

FCIAA Reference: Ill. Rev. Stat., 1989, ch. 15, par. 3001(2)

CONTROL OBJECTIVES:

1. Personnel ceilings are strictly enforced.
2. Recruitment, training, evaluation and termination practices are operating in accordance with applicable laws and regulations and in a manner that promotes economy and efficiency of operations.
3. Appropriate standards of conduct are communicated and enforced.
4. Employment records are promptly, completely and accurately established with proper safeguards against unauthorized access or the preparation of fictitious records.
5. To minimize the opportunity for employee time and attendance abuse and "employee" padding.
6. Overtime pay is used only when necessary.

6A. GENERAL INTERNAL CONTROL REVIEW CRITERIA:

| | Yes | *No | N/A |
|--|-----|-----|-----|
| 1. Personnel operations are governed by the Illinois Personnel Code or an equivalent merit system of personnel administration. | ___ | ___ | ___ |
| 2. Procedures exist to monitor compliance with the applicable personnel regulations. | ___ | ___ | ___ |

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| | | Yes | *No | N/A |
|----|---|-----|-----|-----|
| 3. | The organization has written personnel policies covering: | | | |
| | a. job descriptions | ___ | ___ | ___ |
| | b. hiring procedures | ___ | ___ | ___ |
| | c. promotions | ___ | ___ | ___ |
| | d. dismissals | ___ | ___ | ___ |
| | e. salaries and other compensation | ___ | ___ | ___ |
| | f. employee benefits | ___ | ___ | ___ |
| | g. performance appraisals. | | | |
| 4. | Written job descriptions have been developed and updated as needed for every position at the agency including upper management. | ___ | ___ | ___ |
| 5. | Various levels of supervision exist to control the activities of employees. | ___ | ___ | ___ |
| 6. | Personnel rules and policy memos are published and distributed to all employees. | ___ | ___ | ___ |
| 7. | Personnel files have been established for each employee which are adequately organized and include data such as: | | | |
| | a. applications or resumes | ___ | ___ | ___ |
| | b. withholding authorization cards | ___ | ___ | ___ |
| | c. performance appraisals | ___ | ___ | ___ |
| | d. documentation of all promotions, raises, transfers, disciplinary action, etc. | ___ | ___ | ___ |
| 8. | Deductions are not made from an employee's pay unless a properly approved withholding authorization is on file. | ___ | ___ | ___ |
| 9. | All changes in employment status (hiring, transfers, promotions, etc.) are approved by upper management and are fully documented. | ___ | ___ | ___ |

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| | | Yes | *No | N/A |
|-----|---|-----|-----|-----|
| 10. | Changes in employment status are promptly reported to the person responsible for payroll processing. | ___ | ___ | ___ |
| 11. | The agency utilizes the DCMS Central Payroll System or a comparable computerized system to make all payroll computations. | ___ | ___ | ___ |
| 12. | Employees receive performance appraisals on a regular basis with the results fully documented. | ___ | ___ | ___ |
| 13. | Employee turnover rates are developed and followed up on if the rate seems high. | ___ | ___ | ___ |
| 14. | There are procedures in place to ascertain why employees leave the agency. This information is forwarded to management. | ___ | ___ | ___ |
| 15. | Agency procedures ensure that employees receive the training necessary to perform their assigned duties and to keep up with changes in their fields of expertise. | ___ | ___ | ___ |
| 16. | Employee attendance records have been established and are properly maintained. | ___ | ___ | ___ |
| 17. | Records have been established to record the accumulation of employee sick and vacation time. | ___ | ___ | ___ |
| 18. | Procedures have been developed to determine that absences recorded on the attendance records are carried forward to the leave accumulation records. | ___ | ___ | ___ |
| 19. | Attendance records are reviewed by management and excessive absences and/or tardiness are properly dealt with. | ___ | ___ | ___ |

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| | | Yes | *No | N/A |
|-----|--|-----|-----|-----|
| 20. | Employees are informed in writing of their accumulated sick leave and vacation leave on a regular basis. | ___ | ___ | ___ |
| 21. | Procedures exist to ensure that overtime, compensatory time, etc., is approved in advance by an employee's supervisor. | ___ | ___ | ___ |
| 22. | Lump sum payments are reviewed by management for accuracy and traced to agency records. | ___ | ___ | ___ |
| 23. | Payroll vouchers are reviewed and approved by upper management. Persons approving vouchers are not involved in payroll preparation. | ___ | ___ | ___ |
| 24. | Employees are required to be known, or show identification, before being given payroll warrants. | ___ | ___ | ___ |
| 25. | Employees are prohibited from accepting another employee's payroll warrant unless the arrangement has been approved in advance by management. | ___ | ___ | ___ |
| 26. | Unclaimed payroll warrants are returned to an independent custodian and a listing is made for management. | ___ | ___ | ___ |
| 27. | Payroll warrants at the agency are stored in a secure manner at all times. | ___ | ___ | ___ |
| 28. | The internal auditor, or an independent person, periodically distributes the payroll warrants. | ___ | ___ | ___ |
| 29. | The agency has established an equal employment opportunity officer position and/or has initiated policies to ensure compliance with the Illinois Human Rights Act. | ___ | ___ | ___ |
| 30. | Procedures exist to notify employees who are required to file economic interest statements with the Secretary of State. | ___ | ___ | ___ |

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| | | Yes | *No | N/A |
|-----|--|-----|-----|-----|
| 31. | Procedures exist to notify employees who are required to file economic interest statements with the Board of Ethics. | ___ | ___ | ___ |
| 32. | Group insurance (state paid portion) for employees paid from grant funds is also required to be paid from the grant and provided for in the grant budget. | ___ | ___ | ___ |
| 33. | Employees on leave of absence are required to remit life and health insurance payments if they desire to keep their coverage during the leave of absence. | ___ | ___ | ___ |
| 34. | When employees are on leave of absence, the proper reports are being submitted to DCMS along with any remittances received from employees to cover insurance premiums. | ___ | ___ | ___ |
| 35. | Controls are adequate over advances to and/or receivables due from employees (where available). | ___ | ___ | ___ |
| 36. | The person responsible for hiring, firing and approving promotions is not involved with the payroll preparation or warrant distribution. | ___ | ___ | ___ |
| 37. | The person responsible for warrant distribution is independent of all payroll functions. | ___ | ___ | ___ |

6B. ADDITIONAL INTERNAL CONTROL REVIEW CRITERIA

| | | | | |
|-----|---|-----|-----|-----|
| 38. | Does your entity designate the individual responsible for timekeeping and preparing of the payroll voucher? | ___ | ___ | ___ |
| 39. | Have those responsible for preparing of the payroll voucher been properly trained? | ___ | ___ | ___ |

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| | | Yes | *No | N/A |
|-----|---|-----|-----|-----|
| 40. | 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? | ___ | ___ | ___ |
| 41. | 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.) | ___ | ___ | ___ |
| 42. | Are attendance records signed by employees and approved by supervisors or managers who have personal knowledge of their subordinates' attendance and work? | ___ | ___ | ___ |
| 43. | Where employees work by themselves or in crews away from State facilities, are supervisory spot checks made of their work hours? | ___ | ___ | ___ |
| 44. | Where a State entity has decentralized operations at, multiple, dispersed State facilities, are supervisory spot checks made of the operating hours at these facilities? | ___ | ___ | ___ |
| 45. | 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? | ___ | ___ | ___ |
| 46. | Is a leave card prepared and maintained for each employee? | ___ | ___ | ___ |
| 47. | Is all leave taken posted to employee leave records? | ___ | ___ | ___ |

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| | | Yes | *No | N/A |
|-----|---|-----|-----|-----|
| 48. | Does the agency have a sick leave program and is it being adhered to? | ___ | ___ | ___ |
| 49. | Do agency procedures ensure that temporary and emergency employees do not earn leave? | ___ | ___ | ___ |
| 50. | Is the special payments payroll being used for its intended purpose? | ___ | ___ | ___ |
| 51. | Must requests for overtime be justified and approved in advance by an official who is knowledgeable of program needs and who will not personally benefit from overtime approval? | ___ | ___ | ___ |
| 52. | Are employees who are paid overtime eligible to receive it. | ___ | ___ | ___ |
| 53. | Does an official who is knowledgeable of actual work assignments approve out-of-classification pay claimed on payroll attendance reports? | ___ | ___ | ___ |
| 54. | 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? | ___ | ___ | ___ |
| 55. | Are criminal background investigations requested for individuals selected for a position of trust prior to their actual hiring or promotion? | ___ | ___ | ___ |

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7. PROPERTY, EQUIPMENT, AND INVENTORIES

FCIAA Reference: Ill. Rev. Stat., 1989, ch.15, par. 3001(3)

CONTROL OBJECTIVES:

1. Only authorized and needed property is procured.
2. Receipts of property and recorded timely and accurately in source documents and accounting records.
3. Detailed subsidiary records are maintained for individual fixed assets and significant categories of inventories and are periodically reconciled to control accounts.
4. Periodic physical verification is made of the existence and condition of property and inventories.
5. Physical security measures are commensurate with the size, type and value of property.
6. Issues, transfers, retirements and losses, are reported and accounted for timely.
7. Assets are properly requisitioned and used exclusively for State government activities.
8. Records of asset use are accurately maintained.

7A. GENERAL INTERNAL CONTROL REVIEW CRITERIA

| | Yes | *No | N/A |
|--|-----|-----|-----|
| 1. Policies and procedures are clearly defined to govern the acquisition and disposal of capital assets (land, buildings and equipment). | ___ | ___ | ___ |

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| | | Yes | *No | N/A |
|-----|---|-----|-----|-----|
| 2. | Long-range capital asset planning procedures exist and have been incorporated into the budgetary process. | ___ | ___ | ___ |
| 3. | Procedures exist to ensure that the services of the Capital Development Board are utilized where required on construction, renovation, and large repair projects. | ___ | ___ | ___ |
| 4. | Procedures are employed to ensure that all assets are fully utilized and obsolete land, buildings and equipment are disposed of through the Department of Central Management Services (DCMS). | ___ | ___ | ___ |
| 5. | Policies and procedures clearly define responsibilities of personnel with regard to the custody and use of assets. | ___ | ___ | ___ |
| 6. | Policies and procedures exist to properly maintain all capital assets. The agency has entered into maintenance contracts to service and repair expensive equipment. | ___ | ___ | ___ |
| 7. | There are procedures in effect to control access to all buildings. | ___ | ___ | ___ |
| 8. | In secure areas, employees are required to wear identification. | ___ | ___ | ___ |
| 9. | In secure areas, non-employees are required to show identification and/or sign a log book before entering. | ___ | ___ | ___ |
| 10. | There are procedures developed to safeguard all assets, including files and records, from potential fire and water damage. | ___ | ___ | ___ |

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| | | Yes | *No | N/A |
|-----|--|-----|-----|-----|
| 11. | Janitorial services are provided for all buildings, or have been contracted for by the agency. | ___ | ___ | ___ |
| 12. | Procedures have been developed for all occupants of the buildings to use in case of fire or other disaster. | ___ | ___ | ___ |
| 13. | Work areas are adequately heated, lighted, cooled and insulated from noise. | ___ | ___ | ___ |
| 14. | Current or anticipated shortages of space have been brought to the attention of upper management and included in the long-range capital asset planning. | ___ | ___ | ___ |
| 15. | A system for recording and reporting all property under the control of the agency has been developed which clearly defines employee responsibilities for property control. | ___ | ___ | ___ |
| 16. | Persons responsible for property control are not involved with the purchasing, receiving, or expenditure processing systems. | ___ | ___ | ___ |
| 17. | Procedures have been developed to safeguard State assets. Those most susceptible to theft (audio-visual equipment, etc.) have additional safeguards such as a check-out procedure. | ___ | ___ | ___ |
| 18. | Persons assigned responsibility for custody of assets are not involved with the property control records. | ___ | ___ | ___ |

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| | | Yes | *No | N/A |
|-----|---|-----|-----|-----|
| 19. | A property control record keeping system has been developed and maintained which includes for each asset (at a minimum): | | | |
| | a. Item description | ___ | ___ | ___ |
| | b. Serial number or model number | ___ | ___ | ___ |
| | c. Assigned tag number | ___ | ___ | ___ |
| | d. Purchase date | ___ | ___ | ___ |
| | e. Voucher number | ___ | ___ | ___ |
| | f. Fund, division, and appropriated line item | ___ | ___ | ___ |
| | g. Cost | ___ | ___ | ___ |
| | h. Location | ___ | ___ | ___ |
| 20. | For property purchased all or in part from federal funds, the property control system meets all applicable State property requirements set forth in OMB Circular A-102, as amended October 1, 1988. | ___ | ___ | ___ |
| 21. | Purchases and other transactions are promptly recorded on the agency property control system. | ___ | ___ | ___ |
| 22. | Procedures have been developed to record transferred-in and donated property on the property control system. | ___ | ___ | ___ |
| 23. | Procedures require assets to be recorded at their proper value: | | | |
| | a. Donated assets are at fair market value. | ___ | ___ | ___ |
| | b. Transferred-in property is recorded at the original cost. | ___ | ___ | ___ |
| | c. Property is recorded net of discounts. | ___ | ___ | ___ |
| | d. Freight and installation charges have been added to the asset value. | ___ | ___ | ___ |

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| | | Yes | *No | N/A |
|-----|---|-----|-----|-----|
| | e. The asset value has not been reduced by any trade-in allowance received. | ___ | ___ | ___ |
| 24. | Property control records are segregated by location (city, building, floor, etc.). | ___ | ___ | ___ |
| 25. | Additional property records have been developed to identify the room (or employee) where the asset is assigned. | ___ | ___ | ___ |
| 26. | Procedures exist to document the movement of property between locations, and between rooms within a location. These changes are promptly reported and the property records updated. | ___ | ___ | ___ |
| 27. | The property control system provides monthly balances for each location for reconciliation purposes. | ___ | ___ | ___ |
| 28. | When a determination of depreciation is needed for financial statement purposes, the necessary data has been incorporated into the property control records. | ___ | ___ | ___ |
| 29. | Library books and other publications are included in the property control system. | ___ | ___ | ___ |
| 30. | Property purchased through Telecommunications, EDP or other line items are included on property control records. | ___ | ___ | ___ |
| 31. | Equipment leased under arrangements falling under the definition of a capital lease is included in property records. | ___ | ___ | ___ |
| 32. | Equipment purchased on an installment basis is recorded when the liability is incurred. Interest expenditures are not capitalized. | ___ | ___ | ___ |

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| | | Yes | *No | N/A |
|-----|---|-----|-----|-----|
| 33. | Procedures exist to ensure that the employee responsible for property control is notified when equipment is acquired (whether purchased, transferred-in or donated) or disposed of. | ___ | ___ | ___ |
| 34. | Property information is reported to DCMS as required by the State Property Act. | ___ | ___ | ___ |
| 35. | Transferable property is promptly reported to DCMS. | ___ | ___ | ___ |
| 36. | Excess real property is reported to DCMS. | ___ | ___ | ___ |
| 37. | Procedures exist to control property valued at under \$100. These controls should be adequate to ensure that the property is safeguarded. | ___ | ___ | ___ |
| 38. | Equipment included in the property control system is identified as State-owned by a numbered tag attached to each item or a similar identification system. | ___ | ___ | ___ |
| 39. | The tags or identifying markings on equipment valued at under \$100 differ from the tagging of items valued at over \$100 if necessary to aid in record keeping. | ___ | ___ | ___ |
| 40. | Fixed asset reports submitted to the Comptroller each quarter can be reconciled to the agency's property control system. | ___ | ___ | ___ |
| 41. | A physical inventory of all items on the property control system is taken annually. | ___ | ___ | ___ |
| 42. | The employee responsible for maintaining property control records is not involved with the taking of a physical inventory. | ___ | ___ | ___ |
| 43. | Physical inventory procedures are documented and appear to be adequate. | ___ | ___ | ___ |

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| | | Yes | *No | N/A |
|--------------------------------|--|-----|-----|-----|
| 44. | Discrepancies noted during the physical inventory are reported to the employee responsible for property control and to upper management. | ___ | ___ | ___ |
| 45. | Discrepancies are fully investigated with the results properly documented. | ___ | ___ | ___ |
| 46. | Items reported missing for an extended period are removed from property control records. | ___ | ___ | ___ |
| 47. | Stolen property is reported to the proper law enforcement agencies in a timely manner. | ___ | ___ | ___ |
| 48. | The disposition of assets (including trade-ins) is done in accordance with the State Property Act and DCMS regulations. | ___ | ___ | ___ |
| 49. | Disposition of assets purchased all or in part with grant funds is handled in accordance with the grant agreement of other guidelines. | ___ | ___ | ___ |
| COMMODITIES INVENTORIES | | | | |
| 50. | There are procedures in effect to control the purchase, storage, recording, and use of commodities inventories including: | | | |
| | a. Office supplies (including postage stamps) | ___ | ___ | ___ |
| | b. Janitorial and maintenance supplies | ___ | ___ | ___ |
| | c. Food, clothing and general stores | ___ | ___ | ___ |
| | d. Drugs | ___ | ___ | ___ |
| | e. Fuel | ___ | ___ | ___ |
| 51. | Procedures developed to safeguard commodities inventories are adequate to prevent theft or misuse. Additional safeguards have been placed over the items most susceptible to theft such as controlled drugs. | ___ | ___ | ___ |

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| | | Yes | *No | N/A |
|-----|---|-----|-----|-----|
| 52. | Controls over the purchasing of commodities are adequate to prevent the overstocking of supplies. | ___ | ___ | ___ |
| 53. | Supplies of perishable goods are kept at reasonable levels and stored in the manner necessary to retard spoilage. | ___ | ___ | ___ |
| 54. | Postage stamps are all purchased through DCMS (as indicated by the perforated "I" on each stamp) and are adequately controlled. | ___ | ___ | ___ |
| 55. | Records are maintained on commodities inventories in sufficient detail to determine reorder points and reconcile to physical counts. | ___ | ___ | ___ |
| 56. | A study has been done on each type of commodity to determine the optimum reorder point in order to avoid shortages. | ___ | ___ | ___ |
| 57. | There are procedures to ensure that purchases do not exceed the needs of the agency in the immediate future. Purchasing to expend remaining appropriations at year-end is not encouraged by upper management. | ___ | ___ | ___ |
| 58. | The person assigned to maintain records on commodities inventories does not have custody or responsibility over the commodities. | ___ | ___ | ___ |
| 59. | All withdrawals from inventories are supported by properly authorized requisitions. | ___ | ___ | ___ |
| 60. | Inventory requisitions are sequentially numbered and adequately accounted for. | ___ | ___ | ___ |
| 61. | Physical counts of commodities inventories are well planned and taken at least annually. The employee responsible for record keeping is not involved with the taking of physical counts. | ___ | ___ | ___ |

* Indicate "P" in "No" Column to Signify Partial Compliance

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| | | Yes | *No | N/A |
|-----|---|-----|-----|-----|
| 62. | The persons assigned to take physical counts do not have custody or responsibility over the commodities being inventoried. | ___ | ___ | ___ |
| 63. | Discrepancies between the books and physical counts are documented and brought to the attention of upper management and the employee responsible for inventory records. | ___ | ___ | ___ |
| 64. | Commodities inventory records are adjusted to reflect the actual amounts on hand. | ___ | ___ | ___ |
| 65. | Adjustments to agency records made as the result of a physical inventory are approved by upper management. | ___ | ___ | ___ |
| 66. | The arrangement of inventory items is designed to facilitate the taking of an accurate physical count. | ___ | ___ | ___ |
| 67. | Inventory valuation methods are consistently applied. | ___ | ___ | ___ |
| 68. | Procedures include a periodic inspection of commodities on hand for obsolescence. | ___ | ___ | ___ |

7B. ADDITIONAL INTERNAL CONTROL REVIEW CRITERIA

| | | | | |
|-----|---|-----|-----|-----|
| 69. | Are sensitive items stored in locked or limited access storerooms? | ___ | ___ | ___ |
| 70. | Are physical inventories taken annually and reconciled to perpetual records, discrepancies investigated and resulting write-offs approved by the department head or designee? | ___ | ___ | ___ |
| 71. | Are work orders, parts orders or similar documents used to trace issues from inventory to their ultimate use? | ___ | ___ | ___ |

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| | | Yes | *No | N/A |
|-----|---|-----|-----|-----|
| 72. | Are storerooms kept neat and orderly with items identified by a part number to help identify and count commodities | ___ | ___ | ___ |
| 73. | Are storerooms locked when not controlled by a storekeeper? | ___ | ___ | ___ |
| 74. | Are storekeeping, record keeping and inventory taking functions segregated to prevent property from being misappropriated? | ___ | ___ | ___ |
| 75. | When receiving property, are items and their amounts on the purchase order packing slip reconciled with what is received? | ___ | ___ | ___ |
| 76. | Are receiving reports sent to accounting to update property records? | ___ | ___ | ___ |
| 77. | Have accountable officers been assigned custodial responsibilities for equipment at the program level? | ___ | ___ | ___ |
| 78. | Are all capital and non-capital items properly identified by etching or labeling? | ___ | ___ | ___ |
| 79. | Are all property records maintained at the level required by the DCMS? | ___ | ___ | ___ |
| 80. | Are physical inventories taken as required, reconciled to detail records and control accounts maintained with missing items reported to DCMS? | ___ | ___ | ___ |
| 81. | Are stolen items reported to DCMS for write-off approval when they occur? | ___ | ___ | ___ |
| 82. | Are items reported to DCMS when they become excess and not stored, cannibalized or scrapped? | ___ | ___ | ___ |
| 83. | Is excess equipment identified and reported to DCMS for transfer or disposal on a timely basis? | ___ | ___ | ___ |

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8. REVENUES AND RECEIVABLES

FCIAA Reference: Ill. Rev. Stat., 1989, ch. 15, par. 3001(4)

CONTROL OBJECTIVES:

1. A proper segregation of duties should exist to safeguard assets and provide appropriate checks and balances.
2. Physical security safeguards are maintained where cash is stored and processed.
3. Receipts are recorded properly and timely and deposited promptly.
4. Revenues due have been received, recorded and properly deposited in a timely manner.
5. Collections of State revenues and receipts by the agency are in accordance with applicable laws and regulations and the accounting and record keeping of such revenues and receipts is fair, accurate and in accordance with law.
6. The amounts of gross revenues recorded are reasonable in relation to applicable legislation and related data such as budgetary forecasts, prior year's statistics, number of licenses issued, contractual agreements, etc.
7. Refunds were recorded and deposited in accordance with applicable laws and regulations.
8. Prompt and accurate recording of all receivables is maintained.
9. Ability exists to determine and report sources and age of receivables.
10. Continuous and timely attempts are made to collect receivables due.
11. The portion of receivables that may not be collected is identified.
12. Validity of write-offs, conversions and settlement or forgiveness of receivables exists.
13. Repayments are collected, controlled and reported in a manner consistent with applicable laws and regulations.
14. Title to property used as collateral is properly recorded, filed and secured.

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8A. GENERAL INTERNAL CONTROL REVIEW CRITERIA

| | | Yes | *No | N/A |
|----|--|-----|-----|-----|
| 1. | Organization charts, procedural manuals, and policy memorandums clearly define responsibilities and lines of authority for revenue assessment, collection, and processing. | ___ | ___ | ___ |
| 2. | Staff size is sufficient to adequately assess, collect, and process all revenues. | ___ | ___ | ___ |
| 3. | Formal procedures exist for estimating revenues and monitoring significant deviations in revenue projections. | ___ | ___ | ___ |
| 4. | The procedures to be followed in the assessment, collection, and processing of revenues are documented and updated as changes occur. | ___ | ___ | ___ |
| 5. | Procedures have been developed to assess all revenues which are required to be collected based on statutes and agency rules. | ___ | ___ | ___ |
| 6. | Where applicable, the agency utilizes the records of other federal, State, or local agencies to identify probable taxpayers and licensees. | ___ | ___ | ___ |
| 7. | Where assessments are to be made at regular intervals (taxes, license renewals, etc.) prior period records are used as a beginning data base for issuing current year assessments. | ___ | ___ | ___ |
| 8. | The beginning data base is updated to include new registrants, deletions, and other changes in status since the prior assessment or revenues. | ___ | ___ | ___ |

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| | | Yes | *No | N/A |
|-----|--|-----|-----|-----|
| 9. | When revenue assessment requires that billings be sent out, the billings are issued in a timely manner. | ___ | ___ | ___ |
| 10. | Procedures provide for receivables to be established as assessments are issued. | ___ | ___ | ___ |
| 11. | Numerical controls over billings are adequate to ensure that unauthorized billings are not issued. | ___ | ___ | ___ |
| 12. | All assessments of revenues and all collections are supported by statutory or regulatory authority. | ___ | ___ | ___ |
| 13. | Billing disputes which are reported to the agency are promptly investigated by an independent person. | ___ | ___ | ___ |
| 14. | The persons responsible for issuing billings are not responsible for collecting and processing receipts and are not involved with the accounts receivable records. | ___ | ___ | ___ |
| 15. | Procedures are adequate to ensure that money received is properly safeguarded to prevent theft of funds. Currency and checks held at the agency are stored in a safe manner. | ___ | ___ | ___ |
| 16. | Controls over the opening of mail are adequate to ensure that revenue received through the mail is properly processed. | ___ | ___ | ___ |
| 17. | Control over the receiving of currency is adequate to ensure that the cash is properly processed. | ___ | ___ | ___ |
| 18. | Persons paying taxes and fees with currency are issued a receipt to verify the amount of cash received. | ___ | ___ | ___ |

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| | | Yes | *No | N/A |
|-----|---|-----|-----|-----|
| 19. | Taxes and fees collected on behalf of the State by other units of government or private business are promptly remitted and subjected to reviews for reasonableness. | ___ | ___ | ___ |
| 20. | Checks received are immediately restrictively endorsed. | ___ | ___ | ___ |
| 21. | All revenues received are immediately recorded in proper books which include (at a minimum) the date received, payee, purpose, and amount. | ___ | ___ | ___ |
| 22. | Collections received throughout the agency are promptly forwarded to a central unit for processing. | ___ | ___ | ___ |
| 23. | Procedures for processing receipts are designed to ensure that all monies are deposited in a timely manner. | ___ | ___ | ___ |
| 24. | Deposit extensions received from the Comptroller and Treasurer which give the agency more than 48 hours to deposit receipts are reasonable and necessary. | ___ | ___ | ___ |
| 25. | Deposits are reconciled to entries in the original receipts books by an employee not involved with the initial processing of receipts. | ___ | ___ | ___ |
| 26. | Currency being deposited is counted and reconciled to the receipt slips prepared for cash transactions by an employee not involved with the initial processing of receipts. | ___ | ___ | ___ |
| 27. | Deposit reports received from the Treasurer are reconciled to the deposit records. Adjustments such as deposit errors and NSF checks are entered on agency books. | ___ | ___ | ___ |

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| | | Yes | *No | N/A |
|-----|--|-----|-----|-----|
| 28. | Deposits into the State treasury are reconciled each month to reports received from the Comptroller's Office by an independent person. Adjustments to deposits made on agency books are reviewed and reconciled. | ___ | ___ | ___ |
| 29. | Procedures are adequate to ensure that revenues are being deposited into the correct fund and receipt account. | ___ | ___ | ___ |
| 30. | NSF checks returned from the Treasurer are adequately pursued and all steps taken in collection are properly documented. | ___ | ___ | ___ |
| 31. | Receipts are deposited intact and not retained or expended. | ___ | ___ | ___ |
| 32. | Procedures exist to determine whether taxes and fees were paid by the due date. | ___ | ___ | ___ |
| 33. | Penalties and interest are assessed where allowable by law on late filings and/or late payments. | ___ | ___ | ___ |
| 34. | Procedures exist to revoke licenses, deny permits, etc., when fees are not paid when due. | ___ | ___ | ___ |
| 35. | Applications, returns, etc. are reviewed for completeness and accuracy. Discrepancies and other problems are documented and investigated. | ___ | ___ | ___ |
| 36. | Where applicable, the agency performs audits of taxpayers and licensees to determine that returns and applications are accurate. | ___ | ___ | ___ |
| 37. | For each person or business paying taxes or fees on a regular basis, current receipts are compared to prior period receipts. Deviations are documented and investigated. | ___ | ___ | ___ |

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| | | Yes | *No | N/A |
|-----|--|-----|-----|-----|
| 38. | Refunds and/or credit memorandums to taxpayers or licensees require a separate review and approval before being issued. | ___ | ___ | ___ |
| 39. | Refunds received from vendors and warrants returned uncashed are properly recorded and promptly processed. | ___ | ___ | ___ |
| 40. | Billings are issued on unpaid assessments on a regular basis or until the amount due is determined to be uncollectible. | ___ | ___ | ___ |
| 41. | Receipts received on assessments are promptly posted to the accounts receivable books. | ___ | ___ | ___ |
| 42. | Procedures are adequate to ensure that increases and decreases in individual accounts are posted only from authorized source documents. | ___ | ___ | ___ |
| 43. | Individual account increases, decreases, and balances are reconciled to total receivables and total collections on a monthly basis by an independent person. | ___ | ___ | ___ |
| 44. | The person responsible for maintaining accounts receivable records is not involved with the receipts processing. | ___ | ___ | ___ |
| 45. | Procedures exist to coordinate the collection efforts on delinquent accounts. | ___ | ___ | ___ |
| 46. | Procedures provide for the pursuing of unpaid taxes and fees including all legal remedies allowed under statute. | ___ | ___ | ___ |
| 47. | The Comptroller's warrant off-set system is utilized when necessary to collect on problem accounts. | ___ | ___ | ___ |

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| | | Yes | *No | N/A |
|--|---|-----|-----|-----|
| 48. | Accounts receivable are aged regularly with older accounts receiving special attention. | ___ | ___ | ___ |
| 49. | Trends in receivables are developed and examined by upper management with significant increases in outstanding receivables receiving appropriate attention. | ___ | ___ | ___ |
| 50. | Upper management is promptly notified when accounts are deemed uncollectible. | ___ | ___ | ___ |
| 51. | Procedures exist to only write off uncollectible accounts in accordance with the provisions outlined in the CUSAS Manual (Chapter 26). | ___ | ___ | ___ |
| 8B. ADDITIONAL INTERNAL CONTROL REVIEW CRITERIA | | | | |
| 52. | Does your entity have written instructions for cash handling activities? | ___ | ___ | ___ |
| 53. | Does a listing exist of all mail, over-the-counter, checking account and imprest fund locations? | ___ | ___ | ___ |
| 54. | Does a listing exist of those individuals authorized to handle cash at each of the locations? | ___ | ___ | ___ |
| 55. | Is someone assigned responsibility to periodically review cash handling activities within the entity and to update procedures and listings? | ___ | ___ | ___ |
| 56. | Are the responsibilities for collecting receipts and preparing deposits segregated from those for recording cash receipts and general ledger entries? | ___ | ___ | ___ |
| 57. | Is the responsibility for cash receipts segregated from those for cash disbursements? | ___ | ___ | ___ |

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| | | Yes | *No | N/A |
|-----|--|-----|-----|-----|
| 58. | Is the responsibility for preparing and approving bank account reconciliations segregated from the other responsibilities for cash receipts or disbursements? | ___ | ___ | ___ |
| 59. | Do those responsible for opening the mail make listings of mail receipts? | ___ | ___ | ___ |
| 60. | Are checks restrictively endorsed "For Deposit Only" immediately upon receipt? | ___ | ___ | ___ |
| 61. | 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?) | ___ | ___ | ___ |
| 62. | Are prenumbered receipt forms and tickets accounted for as "issued", "void" or "on hand?" | ___ | ___ | ___ |
| 63. | Are perpetual inventory records maintained for all prenumbered forms? | ___ | ___ | ___ |
| 64. | Does each employee responsible for collections have a separate cash drawer and is individual accountability maintained? | ___ | ___ | ___ |
| 65. | Are cash register cumulative control totals or other types of controlled forms (such as pre-numbered receipts forms or tickets) reconciled with collections on a daily basis? | ___ | ___ | ___ |
| 66. | Do supervisory personnel approve voided transactions and credit transactions? | ___ | ___ | ___ |
| 67. | Do adequate physical facilities exist to safeguard and store receipts? | ___ | ___ | ___ |

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| | | Yes | *No | N/A |
|-----|--|-----|-----|-----|
| 68. | Are receipts deposited daily or, at a minimum, weekly or when \$500 is accumulated? | ___ | ___ | ___ |
| 69. | 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? | ___ | ___ | ___ |
| 70. | Are all differences fully investigated? | ___ | ___ | ___ |
| 71. | Are supervisory personnel advised of all unresolved differences? | ___ | ___ | ___ |
| 72. | Are reconciliations performed between certificates of deposit and other forms which support revenue transfers and the related reports? Are cash receipts from separate collection locations reported to the general accounting department on a timely basis? | ___ | ___ | ___ |
| 73. | Are all deposits adequately collateralized? | ___ | ___ | ___ |
| 74. | Are all employees who handle cash adequately bonded? | ___ | ___ | ___ |
| 75. | 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? | ___ | ___ | ___ |
| 76. | Are payers instructed to make checks payable to the State of Illinois or your entity? | ___ | ___ | ___ |
| 77. | Are dishonored checks adequately controlled and collected promptly? (i.e., Are procedures prescribed by the Comptroller's Office followed?) | ___ | ___ | ___ |

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| | | Yes | *No | N/A |
|-----|--|-----|-----|-----|
| 78. | Are persons responsible for processing or recording cash receipts prohibited from receiving returned checks? | ___ | ___ | ___ |
| 79. | Are all checking accounts which your agency uses known to the Comptroller's and Treasurer's Offices? | ___ | ___ | ___ |
| 80. | Are the accounts adequately collateralized? | ___ | ___ | ___ |
| 81. | Is the checking account used only for its intended and approved use? | ___ | ___ | ___ |
| 82. | Are responsible officials prohibited from signing blank checks? | ___ | ___ | ___ |
| 83. | When a facsimile plate is used, is the plate removed from the check signing machine and safeguarded when the machine is not in use? | ___ | ___ | ___ |
| 84. | Are all receipts and expenditures recorded accurately and promptly in a general ledger account? | ___ | ___ | ___ |
| 85. | 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? | ___ | ___ | ___ |
| 86. | Is an employee other than the custodian responsible for reviewing the documentation supporting the checks and placing the signature on the checks? | ___ | ___ | ___ |
| 87. | Is the check signer precluded from signing checks payable to him/her self or to cash? | ___ | ___ | ___ |
| 88. | Are these supporting documents cancelled to prevent reuse and then maintained on file? | ___ | ___ | ___ |

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| | | Yes | *No | N/A |
|-----|---|-----|-----|-----|
| 89. | Are the checks prenumbered? | | | |
| | a. Are all checks dated and recorded when prepared? | ___ | ___ | ___ |
| | b. Are dollar limits established for amounts that can be paid out of the checking account? | ___ | ___ | ___ |
| 90. | Are procedures in effect to ensure that authorized checks are not returned to the preparer for mailing? | ___ | ___ | ___ |
| 91. | Are personnel restricted from using the fund for unintended purposes (e.g., loans)? | ___ | ___ | ___ |
| 92. | Are work related advances reimbursed to the fund on a timely basis? | ___ | ___ | ___ |
| 93. | Are the unissued checks adequately safeguarded against theft or misuse? | ___ | ___ | ___ |
| 94. | Are the voided checks adequately cancelled to preclude negotiability and maintained on files? | ___ | ___ | ___ |
| 95. | Is each bank account reconciled and a fund composition prepared on a monthly basis by someone other than the person responsible for receiving, deposited and disbursing funds from the account? | ___ | ___ | ___ |
| 96. | Are significant reconciling items (e.g., advances) verified on a test basis? | ___ | ___ | ___ |
| 97. | Are all differences fully investigated and are supervisory personnel advised of all unresolved differences? | ___ | ___ | ___ |
| 98. | Does supervisory personnel review and approve the monthly compositions and reconciliations? | ___ | ___ | ___ |

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| | | Yes | *No | N/A |
|------|---|-----|-----|-----|
| 99. | 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? | ___ | ___ | ___ |
| 100. | Is responsibility for each petty cash fund assigned to a specific, accountable individual? | ___ | ___ | ___ |
| 101. | Do adequate physical facilities exist to store petty cash funds? | ___ | ___ | ___ |
| 102. | Are petty cash funds segregated from other cash? | ___ | ___ | ___ |
| 103. | Is there sufficient use to justify the size of each petty cash fund? | ___ | ___ | ___ |
| 104. | Are vouchers used to substantiate cash funds provided to employees for the subsequent purchase of agency related goods or services? | ___ | ___ | ___ |
| 105. | Are the vouchers signed and dated by the employees receiving the funds? | ___ | ___ | ___ |
| 106. | Are procedures in effect to ensure that vouchers do not remain outstanding for excessive periods of time. | ___ | ___ | ___ |
| 107. | 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 funds? (Note: This review should consider the adequacy of support as well as the propriety of the expenditure.) | ___ | ___ | ___ |
| 108. | Are personnel restricted from using the fund for unintended purposes? | ___ | ___ | ___ |

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REVENUES

| | | Yes | *No | N/A |
|------|--|-----|-----|-----|
| 109. | Are periodic surprise cash counts performed by someone other than the fund custodian to determine that funds are intact? | ___ | ___ | ___ |
| 110. | 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? | ___ | ___ | ___ |
| 111. | Is a method used to establish that required tax-payers have reported taxes due? | ___ | ___ | ___ |
| 112. | Are there procedures to follow up on non-reports noted in above? | ___ | ___ | ___ |
| 113. | Are there procedures that provide for a periodic update of taxpayer files? | ___ | ___ | ___ |
| 114. | Are all tax remittances reviewed for mathematical accuracy? | ___ | ___ | ___ |
| 115. | Is it determined that the amounts remitted are materially correct? | ___ | ___ | ___ |
| 116. | Are significant variances in amounts reported reviewed on a regular basis? | ___ | ___ | ___ |
| 117. | Are all tax returns received initially controlled so that they can be accounted for (by sequentially prenumbering, control totals, or control log)? | ___ | ___ | ___ |
| 118. | Does tax control include a tracking system to identify the current processing status of each return? | ___ | ___ | ___ |
| 119. | Are all returns initially reviewed for completeness? | ___ | ___ | ___ |

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| | | Yes | *No | N/A |
|------|--|-----|-----|-----|
| 120. | Are the deposit of periodic and estimated receipt returns matched with reported amounts on final taxpayer returns? | ___ | ___ | ___ |
| 121. | Are discrepancies between taxpayer returns and agency differences investigated and reconciled? | ___ | ___ | ___ |
| 122. | Are the results of the above procedures reviewed and approved by a responsible official? | ___ | ___ | ___ |
| 123. | Are errors resulting from procedures corrected by someone other than the person identifying the errors? | ___ | ___ | ___ |
| 124. | Does a responsible official review all corrections before the returns are approved for continued processing? | ___ | ___ | ___ |
| 125. | Are the totals of cash and checks received reconciled or checked with the tax returns received? | ___ | ___ | ___ |
| 126. | Are the results reviewed and approved by a responsible official? | ___ | ___ | ___ |
| 127. | Are taxpayer returns routinely audited on the following basis: | | | |
| | a. returns with data inconsistent with established statistical parameters? | ___ | ___ | ___ |
| | b. random sampling? | ___ | ___ | ___ |
| 128. | After an audit, is it established that any adjustment amounts have been paid or received as required? | ___ | ___ | ___ |
| 129. | Are the following recorded for accounting control purposes at the time a charge is established: | | | |

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| | | Yes | *No | N/A |
|----------------------------|--|-----|-----|-----|
| a. | proper identification and address of payor? | ___ | ___ | ___ |
| b. | specific information regarding scope of license, fee or permit? | ___ | ___ | ___ |
| c. | description of legal infraction, code violation and amount of fine? | ___ | ___ | ___ |
| d. | any deposits made or bail or performance bond posted? | ___ | ___ | ___ |
| 130. | Do records establish that all the related transactions have been properly accounted for: i.e., sequentially prenumbered forms? | ___ | ___ | ___ |
| 131. | Are all records subsequently accounted for as a part of the control over processing? | ___ | ___ | ___ |
| 132. | Is it regularly determined why any documents have not been accounted for within a reasonable period of time? | ___ | ___ | ___ |
| 133. | Are the results of the above determination reviewed and approved by a responsible official? | ___ | ___ | ___ |
| 134. | Are all charges reviewed and compared to a pre-established fee schedule by someone other than the person initially recording the charge? | ___ | ___ | ___ |
| ACCOUNTS RECEIVABLE | | | | |
| 135. | Are the accounts receivable ledgers maintained by employees who do not handle cash receipts or their records? | ___ | ___ | ___ |
| 136. | Are the accounts receivable ledgers balanced at least monthly and the totals reconciled to the general ledger control account? | ___ | ___ | ___ |

* Indicate "P" in "No" Column to Signify Partial Compliance

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| | | Yes | *No | N/A |
|------|---|-----|-----|-----|
| 137. | Are adequate credit and collection procedures in effect? | ___ | ___ | ___ |
| 138. | Are statements remitted for all accounts? | ___ | ___ | ___ |
| 139. | Are they sent by an employee who has no access to cash and is independent of all accounts receivable personnel? | ___ | ___ | ___ |
| 140. | Are material delinquent accounts listed periodically? | | | |
| | a. Are they subject to review by an official other than the accounts receivable personnel. | ___ | ___ | ___ |
| 141. | Are bad debt write-offs approved by an official other than the accounts receivable personnel? | ___ | ___ | ___ |
| 142. | Does a responsible official approve credit memos? | ___ | ___ | ___ |
| 143. | Are such credit memos prenumbered and accounted for? | ___ | ___ | ___ |
| 144. | Are credit balances reviewed periodically? | ___ | ___ | ___ |
| 145. | Is the cashier denied access to the accounts receivable ledgers? | ___ | ___ | ___ |

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9. PETTY CASH AND LOCAL FUNDS

FCIAA Reference: Ill. Rev. Stat., 1989, ch. 15, par. 3001(5)

CONTROL OBJECTIVES:

1. Petty cash and local funds are subject to adequate accountability.

9A. GENERAL INTERNAL CONTROL REVIEW CRITERIA

| | Yes | *No | N/A |
|--|-----|-----|-----|
| 1. All petty cash funds were established with the approval of the Comptroller's Office. | ___ | ___ | ___ |
| 2. The petty cash funds are necessary and utilized enough to warrant their existence. | ___ | ___ | ___ |
| 3. Policies exist which regulate the use of petty cash funds and establish procedures for safe guarding the funds. | ___ | ___ | ___ |
| 4. Petty cash on hand is adequately safeguarded to prevent theft. Funds of over \$100 are maintained in local bank accounts. | ___ | ___ | ___ |
| 5. Petty cash funds are accounted for on an imprest basis. | | | |
| a. Cash on hand plus receipt slips on file always equal the authorized fund amount. | ___ | ___ | ___ |
| b. The custodian of the fund initiates vouchers to replenish the fund with the warrant being made payable to the custodian. | ___ | ___ | ___ |
| 6. Procedures provide that petty cash cannot be disbursed without some type of receipt being prepared or received. | ___ | ___ | ___ |

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| | | Yes | *No | N/A |
|-----|---|-----|-----|-----|
| 7. | Vendor invoices are marked "PAID" to avoid duplicate payments. | ___ | ___ | ___ |
| 8. | Petty cash is not used to cash checks or make loans to employees or residents. | ___ | ___ | ___ |
| 9. | The custodian approves all expenditures from the petty cash fund. | ___ | ___ | ___ |
| 10. | Vouchers to replenish the fund with the related receipt slips attached are reviewed and approved by an independent person. | ___ | ___ | ___ |
| 11. | The petty cash fund is reconciled by an independent person on a regular basis with no advance notice given to the custodian. | ___ | ___ | ___ |
| 12. | Procedures exist to ensure that expenditures do not exceed the single purchase limitation. Splitting of purchases to circumvent this limitation is not allowed. | ___ | ___ | ___ |
| 13. | The fund amount never exceeds the amount approved by the Comptroller. | ___ | ___ | ___ |
| 14. | Proper records have been established to account for all expenditures, reimbursements and the fund balance. | ___ | ___ | ___ |
| 15. | A dollar amount has been established at which a reimbursement is initiated in order to prevent shortages of petty cash. | ___ | ___ | ___ |
| 16. | For petty cash funds which exceed \$100, the annual reports submitted to the Comptroller can be reconciled to petty cash fund books. | ___ | ___ | ___ |

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| | | Yes | *No | N/A |
|--------------------|--|-----|-----|-----|
| LOCAL FUNDS | | | | |
| 17. | Local funds are established with the approval of the Comptroller's Office. | ___ | ___ | ___ |
| 18. | The authority to establish local funds is incorporated in the statutes. | ___ | ___ | ___ |
| 19. | Procedures have been established which regulate the use of the local funds. | ___ | ___ | ___ |
| 20. | The processing of receipts into local funds is handled using the same internal controls as used to process receipts for deposit into the State treasury. | ___ | ___ | ___ |
| 21. | Signature authority to approve disbursements from local funds is delegated to a few managerial employees only. | ___ | ___ | ___ |
| 22. | Signature authority is promptly revoked when an employee leaves the agency. | ___ | ___ | ___ |
| 23. | If check-signing plates are used, the plates are adequately safeguarded. | ___ | ___ | ___ |
| 24. | Two signatures are required on disbursements over a stated amount. | ___ | ___ | ___ |
| 25. | Proper books have been established to record all receipts and disbursements and indicate the balance at any point in time. | ___ | ___ | ___ |
| 26. | Procedures exist to determine that local funds are used only for their state purpose. | ___ | ___ | ___ |
| 27. | The drawing of checks to cash or bearer is prohibited. | ___ | ___ | ___ |
| 28. | The funds are not used to make loans to residents or employees unless allowed by statute. | ___ | ___ | ___ |

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| | | Yes | *No | N/A |
|-----|--|-----|-----|-----|
| 29. | Blank checks are adequately safeguarded and are not signed in advance. | ___ | ___ | ___ |
| 30. | Reconciliations of agency books and bank statements are performed monthly by an independent person. | ___ | ___ | ___ |
| 31. | Controls have been established over voided checks and checks returned uncashed. | ___ | ___ | ___ |
| 32. | Checks state on their face that they are void if not presented for payment within a stated period. | ___ | ___ | ___ |
| 33. | Excess funds held in local accounts are invested in interest bearing accounts or, if required, deposited into the State treasury. | ___ | ___ | ___ |
| 34. | Interest earned on resident trust funds is distributed to the residents in a timely and equitable manner. | ___ | ___ | ___ |
| 35. | A financial statement for funds held in trust for residents is prepared monthly and distributed to each resident or the guardian. | ___ | ___ | ___ |
| 36. | Where investment of local funds is permitted, procedures exist to ensure that the funds are earning a high rate of return. | ___ | ___ | ___ |
| 37. | The person responsible for approving local funds disbursements does not maintain the disbursements books and does not have access to the blank checks. | ___ | ___ | ___ |
| 38. | All local fund reports transmitted to the Comptroller can be reconciled to the agency books. | ___ | ___ | ___ |

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39. All local funds are accurately reported by the agency in their submission for the preparation of the statewide GAAP basis financial statements.

Yes *No N/A

___ ___ ___

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10. GRANT ADMINISTRATION

FCIAA Reference: Ill. Rev. Stat., 1989, ch. 15. par. 3001(3)

CONTROL OBJECTIVES:

1. Administer grants with sufficient controls and reviews to minimize potential irregularities which could create a significant liability to the grantor.
2. Factors used in distribution formulas for entitlement grants are accurately maintained.
3. Grantees' program eligibility requirements are sufficiently detailed to ensure that the program beneficiaries and other interested parties understand the qualifications to receive prescribed benefits.
4. Grantees maintain sound organizational, budgetary and accounting systems that are periodically reviewed and evaluated.
5. Grantees procurement procedures comply with regulations.
6. Grantees properly maintain, safeguard and account for government-financed property and equipment.
7. Grantees maintain current cost allocation plans and overhead rates.
8. Grantees are paid only for allowable costs and amounts.
9. Financial and compliance audits of grantee activity are performed at least once every two years.
10. Prompt and appropriate grant close-out actions are taken.

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10A. GENERAL INTERNAL CONTROL REVIEW CRITERIA:

| | | Yes | *No | N/A |
|----|---|-----|-----|-----|
| 1. | Policies have been developed to fix the responsibilities for acquiring, expending, and monitoring grants. | ___ | ___ | ___ |
| 2. | Procedures exist to ensure that grant funds are acquired, expended, and monitored in accordance with the grant agreement and other guidelines including, where applicable, OMB Circular A-87 and either A-102 or A-110. | ___ | ___ | ___ |
| 3. | The accounting for grant transactions is segregated from the related accounting for State funds. | ___ | ___ | ___ |
| 4. | The grant accounting system provides for the separate recording of each grant including a segregation by grant period. | ___ | ___ | ___ |
| 5. | Grant applications are reviewed and approved by upper management prior to submission to the grantor. | ___ | ___ | ___ |
| 6. | Grant applications include a current estimate of all allowable program costs. | ___ | ___ | ___ |
| 7. | Appropriations or other appropriate funding to cover State matching funds are obtained (or budgeted) prior to expending any grants which require State matching funds. | ___ | ___ | ___ |
| 8. | For each grant, a written grant agreement is approved by the grantor and by the agency's upper management. | ___ | ___ | ___ |

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| | | Yes | *No | N/A |
|-----|---|-----|-----|-----|
| 9. | A cost allocation plan or an indirect cost rate has been developed and properly approved. Indirect costs associated with each grant program, and a portion of the statewide central services cost allocation, is billed to the grantor where allowable. | ___ | ___ | ___ |
| 10. | Procedures exist to determine that grant awards received are consistent with the agency's funding entitlements under formula grants. | ___ | ___ | ___ |
| 11. | Grants between State agencies are fully documented in written agreements which specify the duties and responsibilities of each agency. | ___ | ___ | ___ |
| 12. | The receipt and disbursement of grant funds is subject to the same (or more stringent) internal controls as are applicable to transactions involving State funds. | ___ | ___ | ___ |
| 13. | The accounting system provides for the accumulation and recording of grant expenditures under the cost categories required for grant reporting. | ___ | ___ | ___ |
| 14. | Grant expenditures are regularly compared to grant budgets and deviations are reported to management. | ___ | ___ | ___ |
| 15. | There is a cash management system in place which minimizes the time between the receipt of grant funds and their expenditures. | ___ | ___ | ___ |
| 16. | When grant funds are to be received on a reimbursement basis, requests for reimbursement are made in a timely manner and as often as allowable. | ___ | ___ | ___ |

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| | | Yes | *No | N/A |
|-----|--|-----|-----|-----|
| 17. | When grant funds are to be received in advance, or by a draw on a letter of credit, a system has been developed to ensure that funds are requested and received when needed to avoid cash shortages. | ___ | ___ | ___ |
| 18. | Funds received to reimburse the State for indirect costs are deposited into the fund from which the expenditures were originally paid, or if that is not possible, into the General Revenue Fund. | ___ | ___ | ___ |
| 19. | Expenditures to be reported under a grant agreement are reviewed by an independent person for allowability. | ___ | ___ | ___ |
| 20. | Expenditures requiring advance grantor approval are properly approved. Documentation of grantor approval is maintained. | ___ | ___ | ___ |
| 21. | Grantor approval is obtained prior to the incurring of expenses in excess of budgeted amounts. Budget revisions are approved by upper management before being submitted to the grantor. | ___ | ___ | ___ |
| 22. | Procurement practices for purchases under grant agreements are subjected to the same (or more stringent) requirements as used to make purchases from State funds. | ___ | ___ | ___ |
| 23. | Property purchased under grant agreements is subjected to the same (or more stringent) property control procedures as used to record and safeguard purchases from State funds. | ___ | ___ | ___ |
| 24. | The allocation of indirect costs among grant programs is done in a equitable manner and in accordance with the grant agreement and other guidelines. | ___ | ___ | ___ |

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| | | Yes | *No | N/A |
|-----|--|-----|-----|-----|
| 25. | Payroll costs allocated to various grant programs can be supported by timekeeping records which document the allocation of an employee's time. | ___ | ___ | ___ |
| 26. | The computation and reporting of depreciation and/or use charges is done in accordance with grant requirements. | ___ | ___ | ___ |
| 27. | The treatment of costs as either direct or indirect is consistent for all grants. | ___ | ___ | ___ |
| 28. | The same matching funds are not being used to meet the matching requirements of various grant agreements. | ___ | ___ | ___ |
| 29. | Matching requirements met by in-kind contributions are fully documented. Volunteer services are reported at the prevailing wage rate. | ___ | ___ | ___ |
| 30. | Grant program income is handled in accordance with the grant agreement or other guidelines. | ___ | ___ | ___ |
| 31. | There are adequate procedures to ensure that all grants are closed-out in a timely manner and any refund due the grantor is paid. | ___ | ___ | ___ |
| 32. | Assets purchased with grant funds are correctly handled when the grant is closed-out. | ___ | ___ | ___ |
| 33. | If an audit is required, it is obtained and performed in accordance with OMB Circular A-128 or other guidelines, including generally accepted governmental auditing standards. | ___ | ___ | ___ |
| 34. | There is a monitoring system established to independently monitor the progress on all grant programs and determine that all allowable costs have been reimbursed by the grantor. | ___ | ___ | ___ |

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| | | Yes | *No | N/A |
|------------------|--|-----|-----|-----|
| 35. | All financial reports required to be submitted to the grantor can be traced to agency books and are approved by upper management in advance. | ___ | ___ | ___ |
| 36. | All programmatic reports required to be submitted to the grantor are prepared by employees directly involved with the grant program and are approved by upper management in advance. | ___ | ___ | ___ |
| 37. | Procedures exist to ensure that all financial and programmatic reports required to be filed with the grantor are filed in a timely manner. | ___ | ___ | ___ |
| 38. | Procedures exist to ensure that grant related records are retained as long as required under the grant agreement or other guidelines. | ___ | ___ | ___ |
| 39. | Procedures exist to follow-up on all audit findings and questioned costs in a timely manner. Upper management monitors progress towards compliance. | ___ | ___ | ___ |
| SUBGRANTS | | | | |
| 40. | The agency awards grants (or subgrants) to local governments and other organizations only on the basis of properly completed and approved grant applications filed in a timely manner. | ___ | ___ | ___ |
| 41. | Procedures exist to ensure that grant funds passed through the agency are distributed throughout the State in an equitable manner. | ___ | ___ | ___ |
| 42. | Written grant agreements are approved by agency management and the subgrantee before any grant funds are awarded. | ___ | ___ | ___ |

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| | | Yes | *No | N/A |
|-----|--|-----|-----|-----|
| 43. | The written grant agreements include requirements that the subgrantees comply with grant conditions set by both the initial grantor and the grantee agency. | ___ | ___ | ___ |
| 44. | Policies have been developed and issued which regulate the use and reporting of grant funds awarded to local governments and other organizations. | ___ | ___ | ___ |
| 45. | Adequate procedures are in place to monitor subgrantees for compliance with the grant terms established by the grantor agency and any additional requirements set by the grantee agency. | ___ | ___ | ___ |
| 46. | Where grant funds are being distributed to various recipients, procedures exist to determine that recipients meet all eligibility requirements. | ___ | ___ | ___ |
| 47. | Funds are disbursed to grantees only on an as-needed basis. | ___ | ___ | ___ |
| 48. | The monitoring of subgrantees is sufficient to detect material problems and abuses prior to the final payment of grant funds. | ___ | ___ | ___ |
| 49. | The financial operations of subgrantees are subjected to periodic and timely audits. | ___ | ___ | ___ |
| 50. | Disbursements to grantees are approved by upper management and are based only on properly completed reports submitted in a timely manner. | ___ | ___ | ___ |
| 51. | Failure by grantees to meet reporting requirements is investigated in a timely manner. | ___ | ___ | ___ |
| 52. | Grantees are required to provide evidence that previously detected deficiencies have been corrected prior to approval of grant payments or grant renewals. | ___ | ___ | ___ |

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| | | Yes | *No | N/A |
|-----|---|-----|-----|-----|
| 53. | Reports received from grantees are reviewed on a timely basis and all unusual items fully investigated. | ___ | ___ | ___ |
| 54. | Refunds due from subgrantees are billed and collected in a timely manner. | ___ | ___ | ___ |
| 55. | Procedures have been established to govern how grantees are to account for program income. | ___ | ___ | ___ |
| 56. | Procedures exist to ensure that grantee matching requirements have been met. | ___ | ___ | ___ |
| 57. | Grantees are required to maintain adequate internal accounting controls including proper books and records. | ___ | ___ | ___ |
| 58. | Procedures have been established to monitor whether property purchased by the grantees is properly accounted for and used for grant related purposes. | ___ | ___ | ___ |
| 59. | Compliance and financial audits of grantees are performed in accordance with either OMB Circular A-128 or A-110, whichever is applicable, and generally accepted governmental auditing standards. | ___ | ___ | ___ |
| 60. | Is a specific individual assigned to oversee compliance with the major terms and conditions of each grant received by the entity? | ___ | ___ | ___ |
| 61. | Do formal, written procedures exist to help personnel adhere to federal grant guidelines? | ___ | ___ | ___ |
| 62. | 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? | ___ | ___ | ___ |

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| | | Yes | *No | N/A |
|-----|--|-----|-----|-----|
| 63. | 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.) | ___ | ___ | ___ |
| 64. | Are necessary preapprovals obtained by grantor agencies? | ___ | ___ | ___ |
| 65. | 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-102; the terms and conditions of individual grants; and the cost reimbursement provisions of OMB Circular A-87? | ___ | ___ | ___ |
| 66. | Is there an indirect cost recovery plan prepared each year? Are amounts received as reimbursement of Statewide indirect costs reverted to the General Fund? | ___ | ___ | ___ |
| 67. | Are sufficient local funds earmarked for grants which have cash matching requirements? | ___ | ___ | ___ |
| 68. | Are adequate records established to accumulate and value in-kind contributions for grants which have in-kind matching provisions? (See Attachment F of OMB circular A-102.) | ___ | ___ | ___ |
| 69. | Are procedures in place to assure proper cash management of federal funds? | ___ | ___ | ___ |
| 70. | 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? | ___ | ___ | ___ |

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| | | Yes | *No | N/A |
|-----|---|-----|-----|-----|
| 71. | Is there adequate support for billings and financial status reports sent to the federal government? | ___ | ___ | ___ |
| 72. | Are Single Audit reports collected from all appropriate local subdivisions to whom money is subgranted and reviewed for follow-up on any applicable comments? | ___ | ___ | ___ |
| 73. | Are the grant fiscal reports filed with federal agencies prepared from or reconciled to the State's financial records? | ___ | ___ | ___ |
| 74. | Does the detailed grant schedule, properly reflect: | | | |
| | a. All federal assistance, monetary and nonmonetary? | ___ | ___ | ___ |
| | b. All pass-through funds? | ___ | ___ | ___ |
| | c. All federal funds transferred to other departments? | ___ | ___ | ___ |
| 75. | Are grants of State moneys to other governments and private organizations sufficiently monitored in compliance with Single Audit requirements? | ___ | ___ | ___ |

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11. ELECTRONIC DATA PROCESSING

FCIAA Reference: Ill. Rev. Stat. 1989, ch. 15, par. 3001(3)

11A. GENERAL CONTROLS REVIEW

A general controls review is necessary when the use of electronic data processing materially affects the agency's programs and records.

NOTE: This EDP Section should be expanded or contracted as necessary in the circumstances. It is only a guide and is not intended to replace the professional judgment of the auditor. The Office of the Auditor General annually performs a third party review of controls at the DCMS "BICS" EDP Center. Reference should be made to that report by auditors of user agencies.

PRELIMINARY EDP REVIEW PLANNING AND DOCUMENTATION

The following information should be collected and retained in conjunction with an EDP controls review:

1. Prior EDP-related audit findings.
2. Internal EDP-related audit reports or system review documents.
3. An Inventory of Hardware. (In General Terms)
4. A List of Major Operating Systems.
5. A List of Major Application Systems (brief description of each system).
6. Publications containing any EDP-related policies and procedures (security, micro, etc.).
7. Descriptions of other mainframes that are routinely accessed via direct line, dial-up, etc.

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EDP - A. ADMINISTRATION - OBJECTIVES AND CONTROLS

Internal Controls Objectives for EDP Administration Include:

- Provide adequate segregation of duties to prevent performance of incompatible functions by EDP personnel within the department and between EDP and non-EDP departments.
- Provide training and direction.
- Establish standards of performance.
- Ensure DCMS (if applicable) and user management participation in planning and maintaining the installation and user applications.

CONTROLS REQUIRED

| | | Yes | *No | N/A |
|----|---|-----|-----|-----|
| 1. | EDP department employees are independent of user departments and do not initiate or authorize transactions. | ___ | ___ | ___ |
| 2. | Separation of duties exists between computer operations, application programming, systems programming, tape librarian, data base, telecommunications, and data control. | ___ | ___ | ___ |
| 3. | All employees are adequately supervised. | ___ | ___ | ___ |
| 4. | Sensitive applications are limited to specific operators whose work is more closely supervised or are periodically rotated among various operators. | ___ | ___ | ___ |
| 5. | Adequate personnel policies and procedures exist. | ___ | ___ | ___ |
| 6. | A long-range EDP plan is in effect. | ___ | ___ | ___ |
| 7. | Job descriptions are documented. | ___ | ___ | ___ |

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| | | Yes | *No | N/A |
|-----|--|-----|-----|-----|
| 8. | Key personnel appear reliable and competent based on the auditor's observations. | ___ | ___ | ___ |
| 9. | An adequate orientation and technical training program is available and in use. | ___ | ___ | ___ |
| 10. | The installation standards manual is current. | ___ | ___ | ___ |
| 11. | An EDP steering committee has been established and is effective. | ___ | ___ | ___ |
| 12. | An effective internal audit staff active in the EDP area exists. | ___ | ___ | ___ |
| 13. | A billing system exists to accurately charge the cost of EDP services to users. | ___ | ___ | ___ |
| 14. | Adequate insurance coverage is maintained. | ___ | ___ | ___ |

EDP - B. OPERATION - OBJECTIVES AND CONTROLS

Internal Control Objectives for EDP Operations Include:

- Ensure that hardware and software controls provided by the manufacturer are not bypassed or suppressed without proper authorization and, where necessary, that adequate compensating controls exist.
- Provide that only the current, authorized version of the operating system and application programs are used.
- Protect programs and transaction data and master files before, during and after processing.
- Ensure that messages transmitted and received through terminals are complete, accurate, authorized, and recoverable.
- Ensure that operating statistics and control data are available, adequate, and reviewed by supervisory personnel.

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| | | Yes | *No | N/A |
|-----|---|-----|-----|-----|
| 15. | Computer operator actions are logged. | ___ | ___ | ___ |
| 16. | Computer operators do not have access to information deemed unnecessary for operation. | ___ | ___ | ___ |
| 17. | System actions are logged. | ___ | ___ | ___ |
| 18. | The computer operations log is reviewed on a periodic basis. | ___ | ___ | ___ |
| 19. | Manufacturer hardware and systems software error correction capabilities are used. | ___ | ___ | ___ |
| 20. | Adequate tape management procedures are in use. | ___ | ___ | ___ |
| 21. | Job scheduling procedures are in use. | ___ | ___ | ___ |
| 22. | Distribution procedures for computer printouts exist and are used. | ___ | ___ | ___ |
| 23. | Documented procedures are followed for restarts. | ___ | ___ | ___ |
| 24. | Procedures exist for shifting an application from one computer to another in the event of extended hardware failure or scheduled maintenance. | ___ | ___ | ___ |
| 25. | Current archive copies of the operating systems and information management systems are maintained in an off-site location. | ___ | ___ | ___ |
| 26. | The EDP department operates based on reasonable work schedules. | ___ | ___ | ___ |
| 27. | Operating statistics are maintained. | ___ | ___ | ___ |

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| | | Yes | *No | N/A |
|-----|---|-----|-----|-----|
| 28. | Computer operating problems are documented, analyzed, and subjected to frequent management review. | ___ | ___ | ___ |
| 29. | Operating system controls exist to prevent unauthorized bypasses and/or overrides of operating system parameters. | ___ | ___ | ___ |

EDP - C. SECURITY - OBJECTIVES AND CONTROLS

Internal Control Objectives for EDP Security Include:

- Provide assurance that unauthorized persons are denied access to data, programs, documentation, and processing facilities whether by physical entry to the facility or by electronic entry through a remote terminal.
- Provide physical protection and maintain coverage to protect against material losses arising from insurable events.
- Ensure that data files, programs, and operating systems destroyed by error or disaster can be reconstructed without incurring losses that would adversely affect the ability to continue operations.
- Ensure that the processing of vital applications can be maintained despite loss or incapacity of the EDP department without incurring losses that would adversely affect the ability to continue operations.

CONTROLS REQUIRED

| | | Yes | *No | N/A |
|-----|---|-----|-----|-----|
| 30. | Only authorized personnel are allowed in the computer rooms. | ___ | ___ | ___ |
| 31. | Adequate precautions are taken when visitors or outside users have access to the computer room. | ___ | ___ | ___ |

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| | | Yes | *No | N/A |
|-----|--|-----|-----|-----|
| 32. | Adequate security and alarm devices are used, including temperature, humidity and fire controls. | ___ | ___ | ___ |
| 33. | Adequate alternative power sources are operable and available. | ___ | ___ | ___ |
| 34. | A system exists to restrict and monitor employee movements in the facility to ensure that personnel have access only to areas necessary for job performance. | ___ | ___ | ___ |
| 35. | Magnetic tape data are controlled in a library and movement of tape is controlled. | ___ | ___ | ___ |
| 36. | Proper housekeeping procedures exist. | ___ | ___ | ___ |
| 37. | Potentially harmful activities (eating, smoking) are prohibited in the computer room. | ___ | ___ | ___ |
| 38. | Each application uses hardware or other control identification (e.g., physical terminal address, machine-readable badge for authorized users, physical lock and key). | ___ | ___ | ___ |
| 39. | Terminal access and processing of transactions are restricted to authorized personnel. Processing of sensitive data is protected by additional passwords and other controls. | ___ | ___ | ___ |
| 40. | Off-site locations are used to store key data, programs, and documentation. | ___ | ___ | ___ |
| 41. | Formal procedures exist for servicing computers and air conditioning equipment. | ___ | ___ | ___ |
| 42. | Backup facilities are available and operable and this is supported by a formal disaster recovery plan. | ___ | ___ | ___ |

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**EDP - D. SYSTEMS AND PROGRAMMING -
OBJECTIVES AND CONTROLS**

Internal Control Objectives for EDP Systems and Programming Include:

- Ensure that appropriate standards, policies, and procedures exist to facilitate management and control of the systems and programming functions.
- Ensure that all systems development activities and significant program maintenance activities are properly authorized, tested, reviewed, documented, approved, and implemented.
- Ensure that users and management take an active part in defining, developing, testing, and reviewing systems and programming activities that affect them.
- Ensure that only the current and authorized versions of programs are used and that access to program files and other related documentation is restricted to authorized personnel.
- Ensure that the standards, policies, and procedures appropriate in the circumstances are used at all data processing facilities.

CONTROLS REQUIRED

| | | Yes | *No | N/A |
|-----|--|-----|-----|-----|
| 43. | Systems and programming development standards are established and compliance is periodically reviewed. | ___ | ___ | ___ |
| 44. | A structured systems development methodology is used. | ___ | ___ | ___ |
| 45. | Project management techniques are used. | ___ | ___ | ___ |
| 46. | Management reviews and approves systems specifications. | ___ | ___ | ___ |
| 47. | User documentation and distribution procedures exist. | ___ | ___ | ___ |

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| | | Yes | *No | N/A |
|-----|--|-----|-----|-----|
| 48. | Documentation is currently adequate and complies with standards. | ___ | ___ | ___ |
| 49. | Adequate security and control procedures exist over the documentation control area. | ___ | ___ | ___ |
| 50. | Adequate standards for contents of users manuals exist. | ___ | ___ | ___ |
| 51. | Standard guidelines for user training are utilized. | ___ | ___ | ___ |
| 52. | Testing procedures and techniques are standardized. | ___ | ___ | ___ |
| 53. | Users participate in testing new applications. | ___ | ___ | ___ |
| 54. | Post-implementation reviews are performed. | ___ | ___ | ___ |
| 55. | Program changes are approved by EDP and user management. | ___ | ___ | ___ |
| 56. | Users are notified of changes to programs that affect them. | ___ | ___ | ___ |
| 57. | Program changes are performed by personnel | ___ | ___ | ___ |
| 58. | Appropriate documentation standards exist for program changes. | ___ | ___ | ___ |
| 59. | Adequate procedures for testing and approving program changes exist. | ___ | ___ | ___ |
| 60. | Procedures exist to ensure that only properly authorized programs are placed in production status. | ___ | ___ | ___ |
| 61. | The system is designed so that back-up and recovery regeneration is always possible. | ___ | ___ | ___ |

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| | Yes | *No | N/A |
|---|-----|-----|-----|
| 62. The source code library is periodically purged of unnecessary programs with appropriate permanent records maintained of changes made. | ___ | ___ | ___ |

EDP-E. SPECIFIC APPLICATION CONTROLS

As a part of the general controls review, the auditors should select at least one major application and determine whether the following controls are present:

(Other applications should also be reviewed if warranted by the results of the general controls review, if they have a material effect on financial statements or management decisions, or if necessary to carry out the complete audit engagement.)

| | Yes | *No | N/A |
|---|-----|-----|-----|
| 63. The system has controls to assure that only properly authorized and approved input is accepted for processing by EDP. | ___ | ___ | ___ |
| 64. The system has controls to verify the accuracy of significant input data prior to data entry. | ___ | ___ | ___ |
| 65. Controls over the conversion of input data into machine readable form are adequate. | ___ | ___ | ___ |
| 66. Control totals are produced and reconciled with input control totals. | ___ | ___ | ___ |
| 67. Limit and reasonableness checks are incorporated into applications programs. | ___ | ___ | ___ |
| 68. Program controls prevent the processing of improper files and detect errors in data. | ___ | ___ | ___ |
| 69. Output control totals are reconciled with input and processing controls. | ___ | ___ | ___ |

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| | | Yes | *No | N/A |
|-----|--|-----|-----|-----|
| 70. | Output is scanned to determine that obvious problems did not occur during processing. | ___ | ___ | ___ |
| 71. | Output is distributed only to authorized users. | ___ | ___ | ___ |
| 72. | Programs which produce negotiable documents as an output contain additional controls necessary to prevent fraud and abuse. | ___ | ___ | ___ |
| 73. | An audit trail has been maintained for each transaction processed. | ___ | ___ | ___ |

Note: If EDP controls are found to be weak, the effect of materiality of these weaknesses should be determined by testing the systems or cross-checking against other controls maintained by the auditee.

* Indicate "P" in "No" Column to Signify Partial Compliance (See references to application tests in individual Audit Guide chapters.) Control over test data, hardware, and software should be maintained by the audit staff to prevent auditee intervention.

11B. ADDITIONAL INTERNAL CONTROL REVIEW CRITERIA

MICROCOMPUTERS

| | | Yes | *No | N/A |
|-----|--|-----|-----|-----|
| 74. | Are all microcomputers recorded in entity inventory records? | ___ | ___ | ___ |
| 75. | Is all equipment physically identified as entity property by tag or other marking? | ___ | ___ | ___ |
| 76. | Is access to microcomputers limited to authorized users? (I.A.8) | ___ | ___ | ___ |
| 77. | When not in use, is equipment secured against theft? (I.B.1) | ___ | ___ | ___ |

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| | | Yes | *No | N/A |
|-----|---|-----|-----|-----|
| 78. | Are microcomputers protected against electrical power surges and static electricity? | ___ | ___ | ___ |
| 79. | Are employees cautioned that eating, drinking, or smoking in the vicinity of the microcomputers may damage the equipment or data files? | ___ | ___ | ___ |
| 80. | Are files needed for future reference copied to floppy disks or other backup media? | ___ | ___ | ___ |
| 81. | Are floppy disk protected against damage, such as exposure to excessive cold or heat or to magnetic fields? | ___ | ___ | ___ |
| 82. | Are floppy disks stored securely when not in use? | ___ | ___ | ___ |
| 83. | Are software security features used to prevent unauthorized access or data entry to files containing sensitive data? (I.A.7) | ___ | ___ | ___ |
| 84. | Where two or more microcomputers are linked to communicate, are procedures in place to protect the integrity of the data on each microcomputer? (I.A.7) | ___ | ___ | ___ |
| 85. | Is adequate written documentation maintained to familiarize new users with existing programs? | ___ | ___ | ___ |

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EDP SYSTEM APPLICATION REVIEW

INPUT/OUTPUT CONTROLS

| | | Yes | *No | N/A |
|-----|--|-----|-----|-----|
| 86. | Are there controls over the creation of data and its conversion to machine-readable form? | ___ | ___ | ___ |
| a. | Procedural controls | ___ | ___ | ___ |
| b. | Mechanical or visual verification | ___ | ___ | ___ |
| c. | Check digit | ___ | ___ | ___ |
| 87. | Is there adequate control over transmittal and input of data to detect loss or non-processing? Note data field controlled. | ___ | ___ | ___ |
| a. | Financial control totals | ___ | ___ | ___ |
| b. | Hash control totals | ___ | ___ | ___ |
| c. | Document counts | ___ | ___ | ___ |
| d. | Sequential numbering of input documents | ___ | ___ | ___ |
| e. | Other _____ _____ | ___ | ___ | ___ |
| 88. | Are the input control totals and run-to-run control totals for each application checked by someone other than the equipment operator? By whom? _____ _____ | ___ | ___ | ___ |

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| | | Yes | *No | N/A |
|-----|---|-----|-----|-----|
| 89. | If data transmission is used, are controls adequate to determine that transmission is correct and no messages are lost? | ___ | ___ | ___ |
| a. | Message counts | ___ | ___ | ___ |
| b. | Character counts | ___ | ___ | ___ |
| c. | Dual transmission | ___ | ___ | ___ |
| d. | Other _____ _____ | ___ | ___ | ___ |
| 90. | Is input data adequately tested for validity, correctness and sequence. | ___ | ___ | ___ |
| | Note: Questions may have to be applied to each important data field of the input being reviewed by the auditor. | | | |
| a. | Validity tests: | | | |
| | (1) Valid code | ___ | ___ | ___ |
| | (2) Valid character | ___ | ___ | ___ |
| | (3) Valid field | ___ | ___ | ___ |
| | (4) Valid transaction | ___ | ___ | ___ |
| | (5) Valid combinations | ___ | ___ | ___ |
| | (6) Missing data | ___ | ___ | ___ |
| b. | Sequence | ___ | ___ | ___ |
| c. | Limit | ___ | ___ | ___ |
| d. | Reasonableness | ___ | ___ | ___ |
| e. | Other _____ _____ | ___ | ___ | ___ |

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Yes *No N/A

91. Is control over distribution of output adequate?

___ ___ ___

Describe _____

92. Describe the control function, if any, for evaluating quality of output. _____

PROCESSING CONTROLS

93. Are control totals used to check for completeness of processing? These may include trailer file labels, run-to-run totals, etc.

___ ___ ___

94. Are programmed control used test processing of significant items?

___ ___ ___

Items applied to:

a. Limit and reasonableness test _____

b. Crossfooting test _____

95. Does the program check for improper switch settings (if sense switches are used?)

___ ___ ___

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| | | Yes | *No | N/A |
|-----------------------|--|-----|-----|-----|
| ERROR HANDLING | | | | |
| 96. | Does the program provide an adequate console printout of control information (switch settings, control violations, operator intervention, etc.)? | ___ | ___ | ___ |
| 97. | When a program is interrupted, are there adequate provisions for re-start? | ___ | ___ | ___ |
| 98. | Are there adequate controls over the process of identifying, correcting and reprocessing data rejected by the program? | ___ | ___ | ___ |
| 99. | Inquire into handling of unmatched transactions (no master record corresponding to transaction record). Is it adequate? | ___ | ___ | ___ |
| a. | Reject and note on error log | ___ | ___ | ___ |
| b. | Reject and write on suspense record | ___ | ___ | ___ |
| c. | Register of all changes reviewed by initiating department | ___ | ___ | ___ |
| d. | Supervisory or other review of changes | ___ | ___ | ___ |
| e. | Other _____ _____ | | | |
| 100. | Are there adequate provisions for periodically checking master file contents? | ___ | ___ | ___ |
| a. | Periodic printout and review | ___ | ___ | ___ |
| b. | Periodic test against physical count | ___ | ___ | ___ |
| c. | Other _____ _____ | | | |

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| | | Yes | *No | N/A |
|------|---|-----|-----|-----|
| 101. | Do the records or references provide the means to adequately: | | | |
| | a. Trace any transaction forward to a final total? | ___ | ___ | ___ |
| | b. Trace any transaction back to the original source document or input? | ___ | ___ | ___ |
| | c. Trace any final total back to the component transactions? | ___ | ___ | ___ |
| 102. | When ledgers (general or subsidiary) are maintained on computer media, does the system of processing provide: | | | |
| | a. An historical record of activity in the accounts? | ___ | ___ | ___ |
| | b. A periodic trial balance of the accounts? | ___ | ___ | ___ |
| 103. | Are source documents retained for an adequate period of time in a manner which allows identification with related output records and documents? | ___ | ___ | ___ |

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VULNERABILITY ASSESSMENTS AND ACTION PLANS

This section describes the process for identifying the vulnerability of each internal control review entity to waste, loss, unauthorized use, or misappropriation. The use of the vulnerability assessment process is not a required element of the recommended FCIAA review. It is presented, however, as additional information for those State agencies desiring to perform a more comprehensive, internal control review or internal audit of selected or all components of an agency.

ENTITY MANAGER

After all internal control review entities have been identified (See CUSAS Manual procedure 02.50.40, "Evaluation of Internal Controls - Segmenting the Agency" beginning on page 8 of 20), a manager is assigned to review each review entity. The entity manager should be responsible for and understand the day to day activities of the entity. The entity manager must:

- . Identify the major risks associated with each entity, and then,
- . Assess the controls in place to mitigate the identified risks.

There are two purposes for completing the vulnerability assessment. One is to identify those entities within the agency that have the greatest potential for errors and should be earmarked for detailed internal control reviews. The other is to point out specific areas of weakness in internal control which can be readily corrected.

Entities may be selected for internal control reviews based on a variety of factors ascertained during the assessment process, including:

- . A weak general control environment
- . Areas of high inherent risk with weak internal controls
- . An inability to complete the evaluation knowledgeably.

After considering such factors as management priorities, resource constraints, etc., the manager should schedule appropriate internal control reviews and related actions.

Generally, entities having a high vulnerability assessment rating should be identified for immediate internal control reviews unless the internal

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auditor, the Auditor General, or others have made a suitable comprehensive review within the last two years. Such determinations should be documented in writing and retained in the assessment working papers. The regularly scheduled audits by the Auditor General would not be considered sufficiently comprehensive to substitute for an internal control review. If a suitable comprehensive review has not been performed, then the entity should be scheduled for review as indicated.

How often should a vulnerability assessment be performed? This will vary depending on the susceptibility of each organization to waste, loss, or mismanagement. However, an assessment should be conducted at least annually, and, in larger and complex agencies, continually throughout the year. Factors such as significant changes in organization structure, personnel, automated systems, or financial resources of a review entity may affect the frequency of the assessments.

Plans and schedules should be prepared in advance of the assessing year to make sure that all review entities are scheduled and studied in a timely manner. The agency coordinator should plan in coordination with agency heads and review entity managers.

VULNERABILITY ASSESSMENT

A vulnerability assessment consists of the following steps:

1. Analysis of the general control environment
2. Analysis of inherent risk
3. Preliminary evaluation of safeguards
4. Assessment of evaluation results and development of subsequent action plans

In the remainder of this section, each of the four steps is explained.

STEP 1

Analysis of the General Control Environment - Internal controls operate within the framework of the general control environment. The general control environment includes all aspects of the work place which influence the effective functioning of the internal control techniques (procedures). The entity manager must determine if acceptable general controls exist and identify needed corrective actions. For example, program eligibility requirements which are

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not sufficiently detailed, documented, and checked to ensure that the program beneficiaries are qualified to receive benefits, seriously impede effective internal control. The following factors should be evaluated in assessing the general control environment:

- Management Attitude - Management commitment to establishing and maintaining a strong system of internal control must be communicated to all employees through actions and words.
- Organizational Structure - Identify the organization entities and their reporting relationships.
- Personnel - The competence and integrity of the organization's personnel.
- Delegation and Communication of Authority and Responsibility - Appropriate delegation or limitation of authority.
- Policies and Procedures - Do adequate policies and procedures exist so that employees know what to do in various situations?
- Budgeting and Reporting Practices - Have goals been defined and met?
- Organizational Checks and Balances - Establishing a satisfactory level of financial and other supervisory controls. Where appropriate, the creation of professional internal audit programs.
- Electronic Data Processing (EDP) Considerations - When utilized, EDP systems can greatly enhance an overall internal control system. Having EDP systems requires that special control features be built into the systems.

Sources of information to assist the assessing manager in evaluating the general control environment include:

- Organization charts
- Planning and budget documents
- Job descriptions
- Inventory of statutory responsibilities and authorities
- Policy and procedures manuals

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- . Reports
- . Audits, management reviews, program evaluations, etc.
- . Internal control policies and procedures

For each of the elements in the control environment, a determination is made as to whether sufficient controls exist or corrective action is required.

Step 2

Analysis of Inherent Risk - The second step in the vulnerability assessment process is to analyze the inherent potential for waste, loss, unauthorized use or misappropriation. This step is critical and must be properly performed before the other steps in the assessment process can be undertaken. This analysis will identify areas where the internal control systems need to be strong and should be regularly and closely evaluated and monitored. High inherent risk is not necessarily a reflection of management performance or lack of control; rather, high inherent risk points to areas needing attention. This step will produce an inventory of inherent risks unique to the review entity.

When assessing inherent risks, it is suggested that the questionnaire be used. This questionnaire presents specific factors each entity manager must consider in assessing assigned areas of responsibility. Broad areas which are covered in detail in the questionnaire are:

- . **Purpose, Objectives, and Characteristics** - What in the purpose and characteristics of the review entity makes the entity susceptible to waste, loss, unauthorized use or misappropriation? If not already available, information about the purpose, objectives and characteristics may be obtained by reviewing background material such as the relevant enabling legislation and legislative history, regulations, planning documents and other statements concerning missions, goals and objectives, operating procedures and policies, and budget information. Factors that contribute to fraud, waste, and abuse include:
 - . Broad or vague legislative authority or regulations
 - . Cumbersome legislative or regulatory requirements
 - . Broad, vague or nonexistent missions, goals, or objectives

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- . High degree of complexity
 - . Third party beneficiaries such as contractors or grantees
 - . Handling of classified or valuable information
 - . Activities involving the handling of cash, maintenance of accounts/taxes receivable or custody of property, equipment or supplies easily converted to personal use.
 - . Activities operating under severe time or personnel constraints
 - . Activities which affect outside parties involving approval of applications, granting of authority, certifications, issuance of licenses or permits, inspections, or enforcement.
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- . Budget Level - Programs or activities involving large amounts of money are more susceptible to waste, loss, unauthorized use or misappropriation than programs or activities involving small amounts. The level of funding, including personnel time allocated the review entity should be determined by reviewing the agency's budget and supporting data. In situations where the budget data does not show the amount of money involved, estimates should be made. For example, a separate budget often does not exist for a function such as property management. In order to measure the full financial significance of this function, the value of the property controlled must be determined to assess risk.
 - . Procurement/Assistance - Review entities often procure large amounts of goods and services, including technical and financial assistance. The risks to the agency may be greater in cases where a third (outside) party is performing work for or on behalf of the government because of the lack of direct control.
 - . Age and Life Expectancy - The age and life expectancy of the assessable unit should be considered. Entities which are new, are undergoing substantial modification or reorganization, or are phasing out, are more susceptible to waste, loss, unauthorized use, or misappropriation than stable programs because:

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- . New or changing entities may lack written policies or procedures, adequate resources, experienced personnel, or devices to measure performance.
- . Entities that are phasing out may lack adequate resources, may involve close-out activities for which controls have not been developed or may involve large amounts of money or other resources which must be accounted for. Personnel turnover and lack of motivation are other phase-out problems.
- . Degree of Centralization - The degree of centralization can affect the entities' susceptibility to unauthorized use or misappropriation of resources. Highly centralized functions tend to have less risk than decentralized functions. It should be determined whether the activity is:
 - . State Centralized - managed and controlled on a day-to-day basis in a centralized State agency system
 - . State Decentralized - Managed on a day-to-day basis by State agency field installations or staffs
 - . Participant Administered - Managed or controlled on a day-to-day basis by a non-state organization. Programs supported through grants, contracts, or loans fall into this category.
 - . Other - Managed and controlled on a day-to-day basis by some combination of the above or by other means.
- . Special Concerns Outside the Agency - Special interest in an activity may indicate that it is highly susceptible to waste, loss, unauthorized use or misappropriation and should be treated as such. Special attention focused on the agency/entity is a source of pressure that might create vulnerability. The following should be considered in evaluating the inherent risk:

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- . Special interest exhibited by the Governor, the Legislature or the Agency Head.
- . Deadlines set by legislation.
- . Media attention.
- . Litigation.
- . Prior Reviews - Review prior audit reports submitted by the agency internal auditor, the State Auditor General, the State's external auditor, and other internal and external reports for any indications that the entity has been subject to losses due to waste, loss, unauthorized use or misappropriation. Consider the amounts of actual/estimated losses, if any, and the period covered by the prior review. Also consider management's responsiveness to recommendations made in the aforementioned reports/reviews. This includes actions taken to correct deficiencies. A lack of management responsiveness suggests a higher degree of risk.

Step 3

Preliminary Evaluation of Safeguards - An in-depth review of the existing controls is not appropriate at this stage. However, the entity manager should decide, based on knowledge of the functions and not assumptions, if internal controls exist and if they are adequate.

The assessable unit manager must exercise good judgement at this point in the vulnerability assessment, especially in determining which weaknesses are to be scheduled for further consideration. All weaknesses identified must be considered unless compensating controls exist. The manager must carefully consider compensating controls.

Step 4

Assessing Evaluation Results and Developing Subsequent Action Plans - In this step, Step 4, the review entity manager inventories all the risks and weaknesses identified in Steps 1 to 3 needing further consideration and collects information to help the agency coordinator and agency head develop a plan for subsequent action for the agency's entities.

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- Review entity and weakness identification code. These codes will be used to identify the specific weakness in the agency tracking system.
- Brief description of the risk or weakness. An estimate of the dollar value associated with the vulnerability, a brief summary statement that describes what can go wrong and the basis for the dollar valuation estimate. For example: the entity's expenditure budget might be associated with weaknesses in the procurement or disbursement section; revenues could be associated with an overall weakness in handling of cash collections; value of property and equipment might be associated with weaknesses in the fixed assets section.
- A brief narrative of potential subsequent actions should include the implementation cost estimate. Specific examples of subsequent actions which may be taken are as follows:
 - . Develop new policies and/or procedures
 - . Provide additional training
 - . Functionally realign responsibilities to improve the segregation of duties
 - . Perform a management review
 - . Schedule detailed internal control review
 - . Eliminate duplication or unnecessary controls
- Give any reasons why subsequent action should not be taken. For example: cost to implement corrective action exceeds the value of the relative risk; legal mandate requires that the controls be in place even though costs exceed perceived benefits.
- If subsequent action is required, the entity manager should designate the person responsible and indicate tentative beginning and ending dates for the action.

As discussed earlier in this manual, a tracking and reporting system can monitor control weaknesses until all appropriate actions are taken.

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ACTION PLANS

The remainder of this section, summarizes guidance in selecting appropriate subsequent actions. In determining subsequent actions, the manager should remember the primary purpose of the evaluation process is to strengthen the internal control structure in a cost efficient manner.

One type of subsequent action is to schedule a detailed internal control review. This is recommended when:

- . The vulnerability assessment cannot be completed accurately because the procedures are not known.
- . The assessment shows weaknesses that cannot be easily corrected and/or the corrective action would be costly and, therefore, should be studied in more detail.
- . The responses to the Inherent Risk or the General Control Environment questionnaire show areas of high risk that, in management's judgement, require more analysis than was done with the "Preliminary Evaluation of Safeguards".
- . Management perceives a need for one.

If it is determined that detailed internal control review is required, it can be performed by an internal or external auditors, or by an internal auditor, external auditors, or by the manager, assisted by technical staff. If the review is performed by internal or external auditors, the manager may use this review and does not need to duplicate it.

In certain situations, it may not be desirable or cost-efficient to conduct an internal control review. If weaknesses identified during the assessment can be corrected immediately, an internal control review may be unnecessary. In other situations, weaknesses may be addressed by means other than a detailed internal control review. For example, corrective action may be the implementation of a basic control, e.g., all disbursements must be approved by the program manager before being forwarded to the Comptroller's Office for payment. Examples of subsequent actions which were mentioned earlier are repeated here as a reminder:

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- . Develop new policies and procedures
- . Provide additional training
- . Functionally realign responsibilities to further segregate duties
- . Perform a management review
- . Schedule a detailed internal control review
- . Eliminate duplication or unnecessary controls

Any of the above can help to correct the noted weaknesses or reduce the effects of inherent risk.