

**STATEWIDE
ACCOUNTING
MANAGEMENT
SYSTEM
*SAMS MANUAL***

**** PROCEDURE BULLETIN ****

Procedure Bulletin Number 97

Date: August 1, 2021

Effective Date: September 1, 2021

Material Transmitted: 2 and Supplement to Section 2

Purpose: The purpose of this revision is to (1) inform the agencies of revised procedures, (2) make certain procedures are clearer through revision and exhibits and (3) issue revised charts and other listings which reflect current codes and descriptions.

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REMOVE

02.50.30 5-6 of 6

02.50.50 1-2 of 13

Supplement to SAMS Procedure 02 - Internal Controls
1-116 of 116

INSERT

02.50.30 5-6 of 6

02.50.50 1-2 of 13

Supplement to SAMS Procedure 02 - Internal Controls
1-85 of 85

**STATE OF ILLINOIS
OFFICE OF COMPTROLLER**

SECTION	INTERNAL CONTROLS	PROCEDURE - PAGE NO. 02.50.30 5 of 6
SUB-SECTION	REFERENCE	EFFECTIVE DATE July 1, 1991
PROCEDURE	CERTIFICATION BY CHIEF EXECUTIVE OFFICERS	REVISION NUMBER NEW

FCIAA further requires that if the agency's systems do not fully comply with the requirements of this Act, the certification shall include a report describing any material weaknesses in the agency's system(s) of internal fiscal and administrative controls and a plan and schedule for correcting the weaknesses, or a statement of the reasons why the weaknesses cannot be corrected.

The FCIAA certification letter should consist, at a minimum, the following five basic elements:

1. A statement that internal fiscal and administrative controls were evaluated in accordance with guidelines established by the Comptroller in consultation with the Director of Central Management Services.
2. A statement of the objectives of an internal control system as outlined in the Fiscal Control and Internal Auditing Act Article 3, Section 3001.
3. A statement outlining the concept of reasonable assurance.
4. A statement of compliance or noncompliance.
5. A statement regarding required attachments.

The statute requires that a summary of material weaknesses and attendant corrective action plan(s) must be prepared and provided to the Auditor General.

A corrective action plan must be prepared for each material weakness noted in the control system (See Procedure 02.50.50, Appendix B.) For example, if while doing an evaluation of internal controls of the payroll, personnel, and purchasing systems, a material weakness was noted in each system, three separate corrective action plans would be prepared.

If an agency is unable to correct a particular control weakness, a statement of the reasons why the weakness cannot be corrected, must be provided to the Auditor General.

Exhibit 02.50.30-A illustrates the primary flow of documents in the FCIAA certification process.

**STATE OF ILLINOIS
OFFICE OF COMPTROLLER**

SECTION	INTERNAL CONTROLS	PROCEDURE - PAGE NO. 02.50.30 6 of 6
SUB-SECTION	REFERENCE	EFFECTIVE DATE September 1, 2021
PROCEDURE	CERTIFICATION BY CHIEF EXECUTIVE OFFICERS	REVISION NUMBER 22-002

The certification and any supporting reports should be presented in a sealed package to:

Hon. Frank J. Mautino
Auditor General
State of Illinois, Office of the Auditor General
Hes Park Plaza
740 East Ash Street
Springfield, Illinois 62703-3154

Annual FCIAA certifications must be received by the Auditor General by no later than May 1 of each year.

**STATE OF ILLINOIS
OFFICE OF COMPTROLLER**

SECTION INTERNAL CONTROLS

PROCEDURE - PAGE NO.
02.50.50 1 of 13

SUB-SECTION REFERENCE

EFFECTIVE DATE
September 1, 2021

PROCEDURE APPENDICES

REVISION NUMBER
22-002

APPENDIX A

SAMPLE CERTIFICATION BY CHIEF EXECUTIVE OFFICER
OF THE STATE AGENCY'S SYSTEM OF INTERNAL CONTROL

Honorable Frank J. Mautino
Auditor General
Iles Park Plaza
740 East Ash Street
Springfield, Illinois 62703-3154

An evaluation of the internal fiscal and administrative controls of the (name of agency) in effect during the reporting period _____ was performed in accordance with guidelines established by the Comptroller in consultation with the Director of Central Management Services.

The objectives of the system of the internal fiscal and administrative controls of the (name of agency) are to provide reasonable assurance that:

1. resources are utilized efficiently, effectively, and in compliance with applicable law;
2. obligations and costs are in compliance with applicable law;
3. funds, property, and other assets and resources are safeguarded against waste, loss, unauthorized use, and misappropriation;
4. revenues, expenditures, and transfers of assets, resources, or funds applicable to operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports and to maintain accountability over the State's resources; and
5. funds held outside the State Treasury are managed, used, and obtained in strict accordance with the terms of their enabling authorities and that no unauthorized funds exist.

The concept of reasonable assurance recognizes that the cost of inherent control should not exceed the benefits expected to be derived therefrom, and that the benefits consist of reductions in the risks of failing to achieve the stated objectives. Estimates and judgments are required to assess the expected benefits and related costs of control procedures. Furthermore, errors or irregularities may occur and not be detected because of inherent limitations in any system of internal accounting and administrative control, including those limitations resulting from resource constraints, legislative restrictions, and other factors.

**STATE OF ILLINOIS
OFFICE OF COMPTROLLER**

SECTION INTERNAL CONTROLS

PROCEDURE - PAGE NO.
02.50.50 2 of 13

SUB-SECTION REFERENCE

EFFECTIVE DATE
July 1, 1991

PROCEDURE APPENDICES

REVISION NUMBER
NEW

Finally, projection of any evaluation of the system to future periods is subject to the risk that procedures may be inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate. Nonetheless, I have taken the necessary measures to assure that the evaluation, identified in the first paragraph, has been conducted in a thorough and conscientious manner.

(Select the appropriate paragraph)

1. The systems of internal fiscal and administrative controls of the (name of agency) comply with the requirements of this Act.
2. The systems of internal fiscal and administrative controls of the (name of agency) do not fully comply with the requirements of this Act. Attachment A to this letter is a summary of material weaknesses. Attachment B is the corrective action plan which outlines a schedule for correcting the weakness. A separate corrective action plan is presented for each weakness.

(Signature of Chief Executive Officer)

**STATE OF ILLINOIS
OFFICE OF COMPTROLLER**

SECTION	INTERNAL CONTROLS	PROCEDURE - PAGE NO. 1 of 85
SUB-SECTION	SECTION 2 SUPPLEMENT	EFFECTIVE DATE September 1, 2021
PROCEDURE	INTERNAL CONTROL REVIEW CHECKLIST	REVISION NUMBER 22-002

FISCAL AND ADMINISTRATIVE CONTROL REVIEW CHECKLIST

The following internal control review checklist has been prepared to aid 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 (30 ILCS 10).

The checklist is also available in Excel format on the Comptroller's website at https://illinoiscomptroller.gov/comptroller/assets/file/AUDIT_FCIAA_Checklist.xlsx. From there, agencies may download the checklist and customize it according to their specific needs.

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

1. 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. Information Technology

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 SAMS guidelines.

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.

**STATE OF ILLINOIS
OFFICE OF COMPTROLLER**

SECTION INTERNAL CONTROLS

PROCEDURE - PAGE NO.
2 of 85

SUB-SECTION SECTION 2 SUPPLEMENT

EFFECTIVE DATE
September 1, 2021

PROCEDURE INTERNAL CONTROL REVIEW CHECKLIST

REVISION NUMBER
22-002

As stated earlier in these guidelines, 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.

**STATE OF ILLINOIS
OFFICE OF COMPTROLLER**

SECTION INTERNAL CONTROLS

PROCEDURE - PAGE NO.
3 of 85

SUB-SECTION SECTION 2 SUPPLEMENT

EFFECTIVE DATE
September 1, 2021

PROCEDURE INTERNAL CONTROL REVIEW CHECKLIST

REVISION NUMBER
22-002

STATE OF ILLINOIS

INTERNAL FISCAL AND ADMINISTRATIVE CONTROL REVIEW CHECKLIST

AGENCY: _____

DEPARTMENTAL UNIT: _____

Prepared By: _____ Date: _____

Reviewed By: _____ Date: _____

**STATE OF ILLINOIS
OFFICE OF COMPTROLLER**

SECTION	INTERNAL CONTROLS	PROCEDURE - PAGE NO. 4 of 85
SUB-SECTION	SECTION 2 SUPPLEMENT	EFFECTIVE DATE September 1, 2021
PROCEDURE	INTERNAL CONTROL REVIEW CHECKLIST	REVISION NUMBER 22-002

**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 Information Technology (IT) Questionnaire. Agencies which maintain their own IT operations should complete the IT questionnaire.

A "Yes" answer on the questionnaire indicates an appropriate control exists and a "No" answer indicates a weakness because of 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.

**STATE OF ILLINOIS
OFFICE OF COMPTROLLER**

SECTION INTERNAL CONTROLS

PROCEDURE - PAGE NO.
5 of 85

SUB-SECTION SECTION 2 SUPPLEMENT

EFFECTIVE DATE
September 1, 2021

PROCEDURE INTERNAL CONTROL REVIEW CHECKLIST

REVISION NUMBER
22-002

1. Organization and Management

FCIAA Reference: 30 ILCS 10/Article 3

Objective/Control	Yes	No*	N/A	Green Book Objective	Green Book Component	Additional Reference
Objective 1: Monitor the conduct of all existing employees and train new employees on data security and expected behavior to minimize the loss and abuse of information and required ethics training.						
1. New employees timely receive an initial security orientation that explains existing data security rules and expected behaviors, harassment and discrimination training, and ethics training.				Operations	Information and Communication	20 ILCS 450/25, 5 ILCS 430/5-10, & 5 ILCS 430/5-10.5
2. Annual training is completed by all employees.						5 ILCS 430/5-10-10.5
3. Allegations about waste, abuse, theft, or personal misconduct of an employee are investigated.				Operations	Control Activity	5 ILCS 430/20-10 (C)
4. A designated supervisor is responsible for monitoring compliance with data security rules and reporting violations. Sanctions are applied against employees who violate security regulations.				Compliance	Monitoring	5 ILCS 179/37 & 815 ILCS 530/
5. Up-to-date procedures exist to ensure timely filing of economic interest statements from employees in positions which require it.				Compliance	Control Activity	5 ILCS 420/4A-105
6. The agency's Ethics Officer reviews economic interest statements from employees in positions which require it prior to the employee filing the statement with the Secretary of State.				Operations	Monitoring	5 ILCS 430/20-23
7. The agency's operations are continually monitored to identify vulnerabilities or areas of potential loss.				Operations	Monitoring	
8. All incidents of suspected tampering with documents or electronic data are promptly investigated and reported.				Operations	Monitoring	815 ILCS 530/12
Objective 2: Long-term education or training is relevant to the needs of the organization.						
1. Long-term education or training is provided only when short-term courses would be inadequate, inefficient, or otherwise ineffective.				Operations	Control Activities	
2. Staff remain employed for an appropriate period following completion of long-term education or training, if required according to the agency's policy.				Operations	Control Activities	
3. Long-term education training is relevant to the skills, knowledge, and assignments of current or future positions for staff.				Operations	Control Activities	

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

**STATE OF ILLINOIS
OFFICE OF COMPTROLLER**

SECTION INTERNAL CONTROLS

PROCEDURE - PAGE NO.
6 of 85

SUB-SECTION SECTION 2 SUPPLEMENT

EFFECTIVE DATE
September 1, 2021

PROCEDURE INTERNAL CONTROL REVIEW CHECKLIST

REVISION NUMBER
22-002

Objective/Control	Yes	No*	N/A	Green Book Objective	Green Book Component	Additional Reference
4. If applicable, ensure training is in place for the remote work force to verify employees have the required skill sets including proper procedures for handling confidential information, encryption, and cybersecurity.				Operations	Control Activities	
Objective 3: Organizational units are identified to perform necessary functions and to establish appropriate reporting relationships.						
1. A detailed organization chart is maintained indicating the lines of authority throughout the agency.				Operations	Control Environment	
2. Advisory boards, boards of trustees, etc. that are established in legislation are following the Open Meetings Act.				Compliance	Control Activity	5 ILCS 120/
Objective 4: Information is defined, documented, and disseminated to all employees as to how the organization is intended to perform in various situations.						
1. The Agency tracks and communicates changes in legislation and administrative rules as it occurs.				Compliance	Information and Communication	
2. Planning documents, policy memorandums, applicable travel regulations, and procedural manuals are used by management to communicate, define, and achieve the agency's goals and objectives. All employees have access to these materials and all employees are provided them within a reasonable time frame.				Operations	Information and Communication	
3. Unit specific policies and procedures are distributed as part of the employee's onboarding process (i.e., procurement rules for procurement staff, etc.).				Operations	Information and Communication	
4. Rules required by statutes specific to the agency or under the Illinois Administrative Procedures Act exist.				Operations	Control Activity	
5. The agency's rules required by statute are reviewed on a regular basis.				Operations	Control Activity	
Objective 5: There is appropriate delegation or limitation of authority to provide assurance that responsibilities are effectively discharged.						
1. The responsibility for monitoring programs and procedures and achieving objectives has been assigned and documented.				Operations	Control Environment	

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

**STATE OF ILLINOIS
OFFICE OF COMPTROLLER**

SECTION INTERNAL CONTROLS

PROCEDURE - PAGE NO.
7 of 85

SUB-SECTION SECTION 2 SUPPLEMENT

EFFECTIVE DATE
September 1, 2021

PROCEDURE INTERNAL CONTROL REVIEW CHECKLIST

REVISION NUMBER
22-002

Objective/Control	Yes	No*	N/A	Green Book Objective	Green Book Component	Additional Reference
2. Management has developed a formal system for communicating and coordinating efforts between divisions, regional offices, and the various programs.				Operations	Information and Communication	
3. 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.				Operations	Control Environment	
Objective 6: The agency maintains an internal control system to aid management in monitoring program activity, efficiency, and productivity.						
1. If required, management has implemented an adequate internal audit program with the agency promptly correcting weaknesses in internal controls.				Operations	Control Activity	
2. Management has implemented a quality control program to assess agency programs and services and progress toward objectives.				Operations	Monitoring	
3. Agency management has established measures for productivity and efficiency without the sacrifice of effectiveness.				Operations	Control Activity	
4. Agency management has implemented controls to verify the accuracy of data in management and monitoring reports.				Operations	Monitoring	
5. Managers use monitoring reports to periodically review user needs and satisfaction. Evidence of administrative action exists from monitoring information.				Operations	Monitoring	
6. Upper management demonstrates an awareness of agency programs and the statutes, rules, and guidelines governing their programs and participates in key decision making.				Operations	Control Environment	
7. Reports are submitted to upper management to review on a regular basis which summarize activities, programs, transactions, and financial status.				Reporting	Monitoring	

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

**STATE OF ILLINOIS
OFFICE OF COMPTROLLER**

SECTION INTERNAL CONTROLS

PROCEDURE - PAGE NO.
9 of 85

SUB-SECTION SECTION 2 SUPPLEMENT

EFFECTIVE DATE
September 1, 2021

PROCEDURE INTERNAL CONTROL REVIEW CHECKLIST

REVISION NUMBER
22-002

2. ADMINISTRATIVE SUPPORT SERVICES

FCIAA Reference: 30 ILCS 10/Article 3

Objective/Control	Yes	No*	N/A	Green Book Objective	Green Book Component	Additional Reference
Objective 1: Safeguards exist to restrict access to facilities, offices, and storage areas to appropriate individuals.						
1. Access control of facilities, offices, and storage areas are designated only to necessary persons and are strictly enforced, monitored, and documented.				Operations	Control Activities	
2. Upon termination of an employee, keys, badges, IT equipment, and other electronics are retrieved, and access codes are disabled (or, at a minimum, changed).				Operations	Control Activities	
3. Security or reception area personnel are notified of employee terminations.				Operations	Control Activities	
4. Only designated individuals have access to alarm system codes.				Operations	Control Activities	
5. Policies are in place to ensure offices, storage areas, and facility entrances are locked during non-business/non-public access hours.				Operations	Control Activities	
6. An access list is maintained, and workers are monitored and supervised when conditions necessitate after-hours entry into facilities.				Operations	Control Activities	
7. All employees and visitors display badges or passes while accessing non-public areas of the agency's facilities, where appropriate.				Operations	Control Activities	
8. In secure areas, non-employees are required to show identification, sign in/out on a log, and are escorted to and from their destination.				Operations	Control Activities	44 Ill. Admin. Code 5000.902 or for agencies not under DCMS by enacted rules
9. An up-to-date procedure exists for inspecting or spot-checking packages carried by visitors or employees when entering/exiting facilities.				Operations	Control Activities	
Objective 2: Administrative support services are effective, necessary, and in compliance with applicable laws.						
1. Contractual services meet the organization's needs and are secured only when internal resources are deemed insufficient.				Operations	Control Activities	
2. Contractual services are not used to bypass or undermine personnel ceilings, pay limitations, or competitive employment procedures. Exceptions are explained and documented.				Operations	Control Activities	

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

**STATE OF ILLINOIS
OFFICE OF COMPTROLLER**

SECTION INTERNAL CONTROLS

PROCEDURE - PAGE NO.
10 of 85

SUB-SECTION SECTION 2 SUPPLEMENT

EFFECTIVE DATE
September 1, 2021

PROCEDURE INTERNAL CONTROL REVIEW CHECKLIST

REVISION NUMBER
22-002

Objective/Control	Yes	No*	N/A	Green Book Objective	Green Book Component	Additional Reference
3. Security service contractors maintain required licensure, insurance, training, and certifications.				Compliance	Control Activities	225 ILCS 447/25-10 & 225 ILCS 447/25-20
4. Up-to-date procedures exist for reporting an emergency response of security personnel.				Operations	Control Activities	
5. The agency's publications are relevant, necessary, cost-effective, and appropriate in format and scope.				Operations	Information and Communication	
Objective 3: Physical and procedural controls are established to minimize the opportunity for theft or abuse of funds, property, and information.						
1. A loss prevention program is in place and is routinely monitored and updated.				Operations	Control Activity	
2. Incoming documents necessary for agency operations are either date-stamped or an electronic record of the receipt date is retained with the document.				Operations	Control Activity	
3. Secure containers are used for all confidential and critical documents.				Operations	Control Activity	
4. A documented record retention policy has been developed. When required this record retention policy complies with the State Records Act.				Compliance	Control Activity	5 ILCS 160/
Objective 4: Space is necessary, acquired economically, and is in compliance with applicable laws.						
1. Use of space is adequately justified and leases conform with both the State and agency's goals and priorities.				Operations	Control Activity	
2. Requesting unit conforms with space allowance standards and legal requirements (e.g., facilities for the handicapped).				Compliance	Control Activity	44 Ill. Admin. Code 5000.340 & 44 Ill. Admin. Code 5000.360 or by established rules for agencies not under DCMS
3. Space is leased on the most favorable basis to the State.				Compliance	Control Activity	30 ILCS 500/40-5

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

**STATE OF ILLINOIS
OFFICE OF COMPTROLLER**

SECTION INTERNAL CONTROLS

PROCEDURE - PAGE NO.
12 of 85

SUB-SECTION SECTION 2 SUPPLEMENT

EFFECTIVE DATE
September 1, 2021

PROCEDURE INTERNAL CONTROL REVIEW CHECKLIST

REVISION NUMBER
22-002

3. BUDGETING, ACCOUNTING, AND REPORTING

FCIAA Reference: 30 ILCS 10/Article 3

Objective/Control	Yes	No*	N/A	Green Book Objective	Green Book Component	Additional Reference
Objective 1: Authorized budgets, and any changes made to them, reflect anticipated revenues, expenditures, and appropriations, are properly entered into the agency's systems, and can be compared to actual revenues and expenditures.						
1. Various line personnel assist with completion of the budgeting process. Division budgets are prepared and submitted to an employee responsible for preparing the agency-wide budget.				Operations	Information & Communication	
2. The effects of any budgetary increases and decreases made by upper management, the agency's governing board, the Governor's Office of Management and Budget, the General Assembly, or the Governor during the budget and/or appropriations process are promptly communicated to divisions.				Operations	Information & Communication	
3. When additional funding is needed, supplemental appropriations are requested in a timely manner.				Operations	Information & Communication	
4. A system is in place to compare actual revenues and expenditures to projected, budgeted, and prior year revenues and expenditures. Explanations of significant variations are submitted to upper management.				Operations	Control Activities	
5. Up-to-date procedures exist which ensure appropriations or grant funds for a specific purpose/program are utilized for the intended purpose and are not used toward expenditures of other entities or divisions.				Operations	Control Activities	
6. Anticipated cash shortages, fund deficits, or lack of appropriations are immediately reported to upper management.				Operations	Information & Communication	
7. Transfers between appropriated line items are reviewed and approved by upper management.				Operations	Monitoring	
Objective 2: All accounting records, publications, systems, transactions, and related policies and procedures are designed and maintained to provide consistent, reliable, and timely accounting and reporting.						

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

**STATE OF ILLINOIS
OFFICE OF COMPTROLLER**

SECTION INTERNAL CONTROLS

PROCEDURE - PAGE NO.
13 of 85

SUB-SECTION SECTION 2 SUPPLEMENT

EFFECTIVE DATE
September 1, 2021

PROCEDURE INTERNAL CONTROL REVIEW CHECKLIST

REVISION NUMBER
22-002

Objective/Control	Yes	No*	N/A	Green Book Objective	Green Book Component	Additional Reference
1. Written accounting, policy, and procedure manuals exist, including both SAMS requirements where needed and instructions on recording agency-specific accounting transactions, and are regularly updated and distributed to the appropriate personnel.				Operations	Information & Communication	
2. Internal reporting highlights major problems, exceptions, and trends and meets the needs of both upper management and the requirements of each level of supervision.				Reporting	Information & Communication	
3. Internal reports to the governing body are adequate to bring to light abnormal financial results and other discrepancies and are submitted on a timely basis.				Reporting	Information & Communication	
4. Up-to-date procedures exist to ensure reported information is reasonably precise, complete and correct, clear and representative, prepared on a consistent basis, and reviewed and approved on a timely basis at appropriate levels of management before public release.				Reporting	Control Activities	
5. Up-to-date procedures exist to ensure that all data submitted to the Comptroller during the preparation of the Statewide GAAP financial statements is complete, accurate, and properly submitted on a timely basis.				Reporting	Control Activities	
6. Up-to-date reporting procedures are adequate to provide reasonable assurance that reports issued to the public include all data which is legally required to be disclosed.				Reporting	Control Activities	
7. Periodic reviews of the agency's SAMS reports are performed to determine if the reports are used correctly, needed by the agency, and/or if other available reports should be requested.				Operations	Monitoring	
8. A chart of accounts exists, which is supplemented by definitions of items included in the accounts.				Operations	Information & Communication	
9. The books of account include a general ledger.				Operations	Control Activities	
10. Records exist to provide the current cash balance of each fund controlled by the agency at any point in time.				Operations	Information & Communication	
11. Accounting books and records at all locations are under the supervision and control of a principal accounting officer and are adequately secured.				Operations	Control Activities	

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

**STATE OF ILLINOIS
OFFICE OF COMPTROLLER**

SECTION INTERNAL CONTROLS

PROCEDURE - PAGE NO.
14 of 85

SUB-SECTION SECTION 2 SUPPLEMENT

EFFECTIVE DATE
September 1, 2021

PROCEDURE INTERNAL CONTROL REVIEW CHECKLIST

REVISION NUMBER
22-002

Objective/Control	Yes	No*	N/A	Green Book Objective	Green Book Component	Additional Reference
12. Up-to-date procedures are adequate to ensure the agency's books, accounting reports, and postings to the general and subsidiary ledgers cover all of the agency's assets and transactions, are well organized, and are supported by appropriate records and other documentation.				Operations	Control Activities	
13. The accounting system is posted on a current basis, designed to protect confidential data, eliminate duplicate transactions, balanced, and reconciled on a monthly basis.				Operations	Control Activities	
14. All journal entries are clearly referenced to indicate their source, standardized for content and identification, supported by readily identifiable data, reviewed, and approved by a responsible official.				Operations	Control Activities	
15. Transactions between funds are posted to all affected funds in the same accounting period in a timely manner.				Operations	Control Activities	
16. The balance in each fund is reconciled each month to the Comptroller's fund balance by an independent person.				Operations	Control Activities	
17. The agency timely receives and utilizes important publications and their revisions, including, but not limited to, (a) the SAMS Manual, Accounting Bulletins, and appropriation reports issued by the Comptroller; (b) the Property Manual and Procurement Bulletins issued by the applicable Chief Procurement Officer; (c) the personnel rules, Group Insurance memos, Payroll Bulletins, vehicle rules, and Vehicle Operator's Instructions issued by CMS; and, (d) the information security policies, telecommunications policy, and guidelines issued by DoIT.				Operations	Information & Communication	
Objective 3: Personnel are competent, supervised, and assigned duties such that no one individual can control all or related key aspects of a transaction.						
1. Staffing levels and competence of personnel are adequate to meet accounting and reporting requirements, including GAAP requirements.				Compliance	Control Environment	SAMS 02.50.10
2. Assignments of accounting and reporting responsibilities and related lines of authority are clearly defined and appropriate.				Compliance	Control Environment	SAMS 02.50.10

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

**STATE OF ILLINOIS
OFFICE OF COMPTROLLER**

SECTION INTERNAL CONTROLS

PROCEDURE - PAGE NO.
15 of 85

SUB-SECTION SECTION 2 SUPPLEMENT

EFFECTIVE DATE
September 1, 2021

PROCEDURE INTERNAL CONTROL REVIEW CHECKLIST

REVISION NUMBER
22-002

Objective/Control	Yes	No*	N/A	Green Book Objective	Green Book Component	Additional Reference
3. The authority to approve expenditures, contracts, grants, etc. for the agency's chief executive officer, chief fiscal officer, and chief legal counsel, for contracts and contract extensions over \$250,000, have been delegated only to a few key management personnel.				Compliance	Control Environment	SAMS 02.50.10 & 30 ILCS 105/9.02
4. Signature authority is promptly revoked when the employee leaves the agency.				Compliance	Control Activities	SAMS 02.50.10
5. The responsibility for reviewing and approving journal entries and financial reports is segregated from the responsibility for preparing them.				Compliance	Control Activities	SAMS 02.50.10
6. Different employees maintain the general and subsidiary ledgers.				Compliance	Control Activities	SAMS 02.50.10
7. Different employees are responsible for maintaining the custody of assets and the general ledger.				Compliance	Control Activities	SAMS 02.50.10
8. Access to accounting records is limited at all times to persons whose duties require it.				Compliance	Control Activities	SAMS 02.50.10
9. There is continuing supervision and review to determine that prescribed policies are being carried out and corrective actions are taken promptly.				Compliance	Monitoring	SAMS 02.50.10
10. Accounting personnel at all locations are under the supervision and control of a principal accounting officer.				Operations	Control Activities	

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

**STATE OF ILLINOIS
OFFICE OF COMPTROLLER**

SECTION INTERNAL CONTROLS

PROCEDURE - PAGE NO.
17 of 85

SUB-SECTION SECTION 2 SUPPLEMENT

EFFECTIVE DATE
September 1, 2021

PROCEDURE INTERNAL CONTROL REVIEW CHECKLIST

REVISION NUMBER
22-002

4. PURCHASING, CONTRACTING, AND LEASING

FCIAA Reference: 30 ILCS 10/Article 3

Objective/Control	Yes	No*	N/A	Green Book Objective	Green Book Component	Additional Reference
Objective 1: Procurement policies and procedures are in agreement with SAMS and the Illinois Procurement Code.						
1. The agency's procurement procedures and purchasing rules are documented, up-to-date, and include a definition of responsibilities.				Operations	Control Activities	
2. The agency's purchases are coordinated to avoid duplicate purchases and attain maximum advantage through quantity discounts.				Operations	Control Activities	
3. Purchasing division staff levels and capabilities are adequate.				Operations	Control Environment	
4. The agency verifies the public is adequately notified of bid openings and has access to documents needed to file bids.				Compliance	Information and Communication	30 ILCS 500/15-25
5. The bid opening process is properly executed with the appropriate number of witnesses and documented.				Compliance	Control Activities	30 ILCS 500/20-10
6. Purchase orders and contracts are numbered and issued sequentially to control their use.				Operations	Control Activities	
7. All printing published through or by the State of Illinois includes wording required in the Illinois Procurement Code ("Printed by authority of the State of Illinois," the date of each publication, the number of copies printed, and the printing order number).				Compliance	Control Activities	30 ILCS 500/20-105
8. Contracts, grants, purchase orders and leases are approved by all parties involved, including receiving, where necessary, the State Procurement Officer's authorization for contract execution, prior to the effective date of the contract or grant and/or services being performed or title for goods passes from the seller to the agency.				Compliance	Control Activities	30 ILCS 500/20-80
9. All contracts are reduced to writing and standard contracts used by the agency contain all required clauses.				Compliance	Control Activities	30 ILCS 500/20-80(d) 30 ILCS 500/20-155 & SAMS 15.20.20
10. There is a system in effect to monitor the progress of large or lengthy contracts.				Operations	Monitoring	

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**STATE OF ILLINOIS
OFFICE OF COMPTROLLER**

SECTION INTERNAL CONTROLS

PROCEDURE - PAGE NO.
18 of 85

SUB-SECTION SECTION 2 SUPPLEMENT

EFFECTIVE DATE
September 1, 2021

PROCEDURE INTERNAL CONTROL REVIEW CHECKLIST

REVISION NUMBER
22-002

Objective/Control	Yes	No*	N/A	Green Book Objective	Green Book Component	Additional Reference
11. Where applicable, contracts with employees or their relatives meet the conflict-of-interest requirements of the Illinois Procurement Code. If a conflict of interest appears to exist, the contract shall be sent to the Procurement Policy Board for further review.				Compliance	Control Activities	30 ILCS 500/50-13 & 30 ILCS 500/50-35(d)
12. The <i>Agency Contract Report</i> (SC14) and <i>Obligations Activity Report</i> (SC15) received from the Comptroller are timely reconciled to the agency's records on a monthly basis by an independent person.				Operations	Monitoring	SAMS 15.30.10, 15.30.20, & 15.30.30
Objective 2: A proper segregation of duties exists to provide appropriate checks and balances.						
1. Requisitions are approved by accounting division for fund availability prior to the issuance of a purchase order.				Operations	Control Activities	
2. The requisitioning of goods and/or contract negotiating is a separate function from the receiving, custody, and inspecting of goods. None of these functions are involved in accounting for the related expenditures.				Operations	Control Activities	
3. Invoice processing and approval is segregated from accounts payable and disbursement functions.				Operations	Control Activities	
Objective 3: Proper authorizations must be obtained prior to the purchase of goods or services.						
1. Purchases of goods and services are initiated with properly completed requisitions, which are approved by management authorized for the appropriate level of purchase.				Operations	Control Activities	
2. Procurement procedures are appropriately modified when funds to be disbursed are restricted under a grant agreement and purchases are not made until it has been determined that the expenditures are allowable.				Compliance	Control Activities	30 ILCS 500/1-12
3. Changes to contracts or purchase orders are subject to the same controls and approvals as the original agreement and the accounting division is notified of any changes.				Operations	Control Activities	
4. Contracting and leasing procedures have been developed, documented, are up-to-date, and include a definition of responsibilities.				Operations	Control Activities	
5. All contracts are approved by upper management.				Operations	Monitoring	

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**STATE OF ILLINOIS
OFFICE OF COMPTROLLER**

SECTION INTERNAL CONTROLS

PROCEDURE - PAGE NO.
19 of 85

SUB-SECTION SECTION 2 SUPPLEMENT

EFFECTIVE DATE
September 1, 2021

PROCEDURE INTERNAL CONTROL REVIEW CHECKLIST

REVISION NUMBER
22-002

Objective/Control	Yes	No*	N/A	Green Book Objective	Green Book Component	Additional Reference
6. Approval of requisitions that would increase supplies or services above the level originally anticipated must be supported by adequate written justification and notice published to the Procurement Bulletin when applicable.				Operations	Control Activities	720 ILCS 5/33E-9
Objective 4: Competitive procurements are used when practical to ensure that awards are made to low bidders that meet the specifications.						
1. Ensure that up-to-date procedures from the Chief Procurement Officer for competitive procurements are followed for procurements requiring bids.				Compliance	Control Activities	30 ILCS 500/20-10
2. Competitive bids are required to be obtained on certain contracts and leases as required by the Illinois Procurement Code.				Compliance	Control Activities	30 ILCS 500/35-30
3. At least three price quotations, if feasible, are obtained and documented prior to placing orders which are not part of master contracts or subject to competitive bidding requirements.				Operations	Control Activities	
Objective 5: Emergency procurements are made in accordance with standards and conditions indicated in the Illinois Procurement Code, unless exempted under a Gubernatorial Disaster Proclamation.						
1. Emergency procurements are made in accordance with the Illinois Procurement Code and emergency purchase statements are filed with the Office of the Auditor General in a timely manner.				Compliance	Control Activities	30 ILCS 500/20-30
2. Emergency purchase contract did not exceed 90 days unless a hearing was conducted by the Chief Procurement Officer.				Compliance	Control Activities	30 ILCS 500/20-30
3. Emergency procurements must meet one of the qualifying four conditions noted in the Illinois Procurement Code.				Compliance	Control Activities	30 ILCS 500/20-30
Objective 6: Sole source purchases conform to rules set forth in the Illinois Procurement Code and receive proper approval.						
1. For sole source purchases, justifications are reviewed, and requisitions approved by upper management.				Compliance	Monitoring	30 ILCS 500/20-25

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**STATE OF ILLINOIS
OFFICE OF COMPTROLLER**

SECTION INTERNAL CONTROLS

PROCEDURE - PAGE NO.
20 of 85

SUB-SECTION SECTION 2 SUPPLEMENT

EFFECTIVE DATE
September 1, 2021

PROCEDURE INTERNAL CONTROL REVIEW CHECKLIST

REVISION NUMBER
22-002

Objective/Control	Yes	No*	N/A	Green Book Objective	Green Book Component	Additional Reference
2. Notice of Intent/Notice of Hearing to enter into a sole source contract was reviewed by Procurement Policy Board and published in the online Bulletin at least 14 days prior to date of required public hearing.				Compliance	Information and Communication	30 ILCS 500/20-25
3. Sole Source Justification Form Part 2 must be approved by Chief Procurement Officer prior to contract execution.				Compliance	Monitoring	30 ILCS 500/20-25
Objective 7: Leases of real property or equipment follow procedures outlined in the Illinois Procurement Code and are made in consultation with CMS whenever applicable.						
1. All leases of real property by State agencies other than institutions of higher education or agencies not under Governor will be made in consultation with CMS prior to engaging in a procurement.				Compliance	Control Activities	30 ILCS 500/40-5
2. Up-to-date procedures exist to ensure that equipment leasing does not exceed the cost of purchasing and maintaining similar equipment.				Operations	Control Activities	
3. Contracts and leases exceeding \$20,000 are filed with the Comptroller (as well as any amendments to the contracts) in a timely manner.				Compliance	Control Activities	SAMS 15.10.40 30 ILCS 500/20-80(b)
4. The agency permits entering into multi-year contracts and leases in accordance with the Illinois Procurement Code.				Compliance	Control Activities	30 ILCS 500/20-60 & 30 ILCS 500/40-25
Objective 8: The agency is familiar with the availability and use of Joint Purchasing Contracts.						
1. Procedures exist to ensure that existing Statewide or multi-state/multi-institution joint purchasing contracts are used whenever possible and are up to date.				Operations	Control Activities	30 ILCS 525
Objective 9: Small purchases conform with the threshold and procedures set forth in the Illinois Procurement Code and the Chief Procurement Officer's rules.						
1. The "stringing of purchases" or splitting of orders to avoid higher levels of approval is prohibited.				Compliance	Control Activities	30 ILCS 500/20-20
2. The agency has consulted with the appropriate Chief Procurement Officer to determine the correct small purchase threshold prior to making a purchase.				Compliance	Control Activities	

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**STATE OF ILLINOIS
OFFICE OF COMPTROLLER**

SECTION INTERNAL CONTROLS

PROCEDURE - PAGE NO.
21 of 85

SUB-SECTION SECTION 2 SUPPLEMENT

EFFECTIVE DATE
September 1, 2021

PROCEDURE INTERNAL CONTROL REVIEW CHECKLIST

REVISION NUMBER
22-002

Objective/Control	Yes	No*	N/A	Green Book Objective	Green Book Component	Additional Reference
3. The agency ensures that the procurement is below the small purchase threshold prior to making the purchase.				Compliance	Control Activities	
Objective 10: The agency adheres to requirements for exempt procurements.						
1. Contracts for anticipated litigation, enforcement actions, or investigations had approval of chief legal counsel (of the Governor, if the agency is subject to the Governor's jurisdiction) prior to procuring services.				Compliance	Control Activities	30 ILCS 500/1-10
2. Publishing requirements are followed for all exempt purchases with the exception of inter-governmental agreements, grants, and contracts in anticipation of litigation, enforcement actions, or investigations.				Compliance	Control Activities	30 ILCS 500/1-10
Objective 11: Steps are taken to confirm the quality and quantity of goods ordered were received.						
1. Adequate records are maintained of open purchase orders which are reviewed periodically. Those not filled in a reasonable time are reviewed to determine if further action is required.				Operations	Control Activities	
2. Upon delivery of all purchased goods, written receiving reports are prepared and forwarded appropriately.				Operations	Control Activities	
3. Steps are taken to ensure that all goods received are accurately counted and examined to ensure that they meet quality standards and fulfill the requirements of the purchase order.				Operations	Control Activities	
4. There are up-to-date procedures in effect which require each employee who is responsible for receiving goods or services to sign the related invoice voucher as the receiving officer.				Operations	Control Activities	
5. Delivery instructions consistently require deliveries be made to designated facilities within normal working hours, with any exceptions requiring a valid business reason.				Operations	Control Activities	
Objective 12: Processes are followed prior to disbursement to ensure proper billing and receipt of deliverables.						
1. Up-to-date procedures provide for filing of claims against carriers or vendors for shortages, damaged goods, or other unacceptable orders.				Operations	Control Activities	

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**STATE OF ILLINOIS
OFFICE OF COMPTROLLER**

SECTION INTERNAL CONTROLS

PROCEDURE - PAGE NO.
22 of 85

SUB-SECTION SECTION 2 SUPPLEMENT

EFFECTIVE DATE
September 1, 2021

PROCEDURE INTERNAL CONTROL REVIEW CHECKLIST

REVISION NUMBER
22-002

Objective/Control	Yes	No*	N/A	Green Book Objective	Green Book Component	Additional Reference
2. Up-to-date procedures are in effect to determine contractual obligations were fulfilled prior to making the final payment to a contractor.				Operations	Control Activities	
3. Up-to-date procedures exist to review billings from contractors for contract compliance prior to making payments.				Operations	Control Activities	
4. Unmatched receiving records are regularly reviewed to find out if and why they are outstanding.				Operations	Control Activities	
5. When services are acquired on a time and materials basis or a per incident basis (e.g., trash pickup), an employee (other than the requisitioner) maintains records of hours spent by contractor employees providing services or of the incidence of services, and those records are compared to contractor invoices.				Operations	Control Activities	

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**STATE OF ILLINOIS
OFFICE OF COMPTROLLER**

SECTION INTERNAL CONTROLS

PROCEDURE - PAGE NO.
24 of 85

SUB-SECTION SECTION 2 SUPPLEMENT

EFFECTIVE DATE
September 1, 2021

PROCEDURE INTERNAL CONTROL REVIEW CHECKLIST

REVISION NUMBER
22-002

5. EXPENDITURE CONTROL

FCIAA Reference: 30 ILCS 10/Article 3

Objective/Control	Yes	No*	N/A	Green Book Objective	Green Book Component	Additional References
Objective 1: Expenditures are valid and properly approved.						
1. Appropriate up-to-date procedures exist to create payment obligations and expenditures.				Operations	Control Activities	
2. An expenditure process is in place that requires that expenditures are properly reviewed prior to approval.				Operations	Control Activities	
3. Up-to-date procedures exist to ensure that appropriation balance, fund balance, and obligation balances are sufficient prior to the approval of any purchase orders or any vouchers.				Operations	Control Activities	
Objective 2: Expenditures are recorded promptly and accurately in the appropriate accounts.						
1. The agency has up-to-date written procedures for the processing and proper recording of obligations and expenditures, including vouchers during the Lapse Period, and to ensure vendor invoices are paid promptly.				Operations	Control Activities	
2. A voucher register/listing is maintained, utilizing a new series of numbers beginning each year to ensure there are no duplicate voucher numbers.				Operations	Control Activities	
3. Processes over the tracking, recording, and payment of outstanding invoices exist.				Operations	Control Activities	
4. The expenditure recording system allows for swift access of vouchers and rapid determination of available balances.				Operations	Control Activities	
5. The return of goods process includes an up-to-date procedure to notify purchasing and fiscal units upon return or rejection of a received purchase.				Operations	Control Activities	
6. The expenditure process includes an up-to-date procedure for reversing expenditures that have been properly refunded or voided.				Reporting	Control Activities	
7. Vouchers are processed timely and posted against the related obligation.				Operations	Control Activities	
8. The purchasing process includes an up-to-date procedure to ensure that sales and use taxes are not paid on any purchase.				Compliance	Control Activities	35 ILCS 120/2-5 (11)
9. The agency maintains appropriate and sufficient records of interest amounts due.				Compliance	Information and Communication	30 ILCS 540 & SAMS 17.20.45

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**STATE OF ILLINOIS
OFFICE OF COMPTROLLER**

SECTION INTERNAL CONTROLS

PROCEDURE - PAGE NO.
25 of 85

SUB-SECTION SECTION 2 SUPPLEMENT

EFFECTIVE DATE
September 1, 2021

PROCEDURE INTERNAL CONTROL REVIEW CHECKLIST

REVISION NUMBER
22-002

Objective/Control	Yes	No*	N/A	Green Book Objective	Green Book Component	Additional References
Objective 3: The agency has generally complied with applicable laws and regulations for expenditures.						
1. The agency submits the Debt Transparency Report timely and in the format prescribed by the Comptroller.				Compliance	Monitoring	30 ILCS 105/9.08
2. The telecommunications policy includes an explanation of all inappropriate telecommunications behavior and the punitive actions related to violating the telecommunications policy.				Compliance	Information and Communication	44 Ill. Adm. Code 5030
3. Expense reports and supporting records are reviewed and approved for compliance with law. The reviews are documented and kept on file with the agency.				Operations	Monitoring	
Objective 4: The agency is maintaining effective accounting control over expenditures.						
1. The obligation process properly deobligates funds that are no longer needed so that the funds can be made available for other purposes.				Operations	Control Activities	
2. The expenditure process is designed to prevent duplicate payments to vendors. Records of recurring payments are maintained to detect skipped payments.				Operations	Control Activities	
3. The employee termination process includes the immediate revocation of issued credit/payment/travel cards, if applicable.				Operations	Control Activities	
4. All invoices are received at a centralized location.				Operations	Control Environment	
5. Appropriate up-to-date procedures exist to process advance payments in accordance with legal restrictions.				Operations	Control Activities	30 ILCS 105/9.05
6. Appropriate up-to-date procedures exist to process vendor invoice vouchers accurately, with the proper coding, and in agreement with purchase orders/receiving reports.				Operations	Control Activities	
7. The vouchering process defines the appropriate signature authority requirements, including those for unusual and large vouchers.				Operations	Control Activities	
8. The expenditure process does not allow for personnel performing the recording of expenditures and obligations to have approval authority, except in cases where there is a sufficient review performed by an independent person.				Reporting	Control Activities	

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**STATE OF ILLINOIS
OFFICE OF COMPTROLLER**

SECTION INTERNAL CONTROLS

PROCEDURE - PAGE NO.
26 of 85

SUB-SECTION SECTION 2 SUPPLEMENT

EFFECTIVE DATE
September 1, 2021

PROCEDURE INTERNAL CONTROL REVIEW CHECKLIST

REVISION NUMBER
22-002

Objective/Control	Yes	No*	N/A	Green Book Objective	Green Book Component	Additional References
9. Records of returned goods are documented and appropriately reviewed.				Reporting	Monitoring	
10. The expenditure/obligation process includes appropriate and sufficient reviews and reconciliations to be performed by an independent person. These reviews and reconciliations should include accounts payable and transfers between line items.				Reporting	Monitoring	
11. The expenditure recording process includes keeping sufficient and appropriate records of interest obligations.				Reporting	Control Activities	
12. A process is in place to periodically review and update vendor information.				Operations	Monitoring	
13. Regular comparisons are made of statements from vendors with the agency's recorded accounts payable.				Operations	Monitoring	
14. Transmittals are approved only by authorized personnel who review supporting documentation, at least on a test basis. These transmittals are assigned sequential numbers.				Operations	Control Activities	
15. Billings received from internal service funds such as CMS and DoIT, other central service departments, and outside vendors are traced to charge slips signed by agency employees prior to payment.				Operations	Control Activities	
Travel-Specific						
1. The expenditure process includes an up-to-date procedure for examining budgeted travel costs and the actual travel costs incurred and explaining those variances to the appropriate management.				Reporting	Monitoring	
2. The travel vouchering process includes an up-to-date procedure for reviewing all travel vouchers for compliance with applicable laws.				Operations	Control Activities	SAMS 17.20.10
3. The travel vouchering process includes an up-to-date procedure to submit exceptions to the travel regulations to the applicable Travel Control Board.				Compliance	Control Activities	30 ILCS 105/12
4. The travel vouchering process includes an up-to-date procedure for approval of all major travel expenditures in advance and the proper record keeping procedures associated with that advance payment. These expenditures are compared to the appropriate expense reports and settled promptly when travel is completed.				Compliance	Control Activities	80 Ill. Admin. Code 2800, 2900, & 3000 & SAMS 17.20.10

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**STATE OF ILLINOIS
OFFICE OF COMPTROLLER**

SECTION INTERNAL CONTROLS

PROCEDURE - PAGE NO.
27 of 85

SUB-SECTION SECTION 2 SUPPLEMENT

EFFECTIVE DATE
September 1, 2021

PROCEDURE INTERNAL CONTROL REVIEW CHECKLIST

REVISION NUMBER
22-002

Objective/Control	Yes	No*	N/A	Green Book Objective	Green Book Component	Additional References
5. The travel vouchering process includes an up-to-date procedure which determines the accuracy of direct bill charges and prevents duplicates.				Operations	Control Activities	
6. The travel vouchering process is designed to receive travel reimbursement requests within a reasonable period of time, including (a) providing a travel advance no earlier than 30 days prior to travel, (b) accounting for travel costs within 60 days after the expenses were paid or incurred, and (c) receiving a return of excess reimbursements from employees within 120 days after the expenses were paid or incurred.				Operations	Control Activities	IRS Publication 535
<i>Vehicle-Specific</i>						
1. The vehicle maintenance procedures require that oil and gas be purchased through state-owned facilities when possible.				Compliance	Control Activities	44 Ill. Adm. Code 5040.550
2. The vehicle maintenance procedures require that parts be purchased through CMS whenever possible and that a CMS approval process is completed for vehicle parts purchased from outside vendors.				Compliance	Control Activities	44 Ill. Adm. Code 5040.550
3. The vehicle operation procedures include the submission of charge slips on a regular basis.				Operations	Control Activities	
4. Vehicle operation procedures include completing daily use and mileage logs. Mileage claimed by employees using personal automobiles is reviewed for reasonableness.				Operations	Control Activities	30 ILCS 617/10
5. Vehicles undergo regular service and/or repair, including following each vehicle's oil change intervals, tire rotation intervals, and annual inspection deadlines. A vehicle coordinator monitors vehicle usage to ensure the agency's vehicles are properly maintained.				Operations	Control Activities	

If the agency has locally-held funds, a separate checklist for the internal control categories listed below will need to be completed for both the treasury and locally-held funds:

- 5. Expenditure Control**
- 8. Revenues and Receivables**
- 9. Petty Cash and Local Funds.**

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**STATE OF ILLINOIS
OFFICE OF COMPTROLLER**

SECTION INTERNAL CONTROLS

PROCEDURE - PAGE NO.
29 of 85

SUB-SECTION SECTION 2 SUPPLEMENT

EFFECTIVE DATE
September 1, 2021

PROCEDURE INTERNAL CONTROL REVIEW CHECKLIST

REVISION NUMBER
22-002

6. PERSONNEL AND PAYROLL

FCIAA Reference: Ill. 30 ILCS 10/Article 3

Objective/Control	Yes	No*	N/A	Green Book Obj.	Green Book Component	Add Reference
Objective 1: Salary bans are strictly enforced.						
1. Personnel operations are governed by the Illinois Personnel Code or an equivalent merit system of personnel information.				Compliance	Control Activity	20 ILCS 415/
2. Procedures exist to monitor compliance with the applicable personnel regulations and are up to date.				Compliance	Monitoring	20 ILCS 415/
Objective 2: Clearly defined policies and procedures for recruitment, training, transfer, promotion, evaluation, and termination practices are operating in accordance with applicable laws and regulations and in a manner that promotes economy and efficiency of operations.						
1. The agency has written personnel policies covering job descriptions, hiring procedures, promotions, dismissals, salaries and other compensation, employee benefits, and performance appraisals. All agency positions, including upper management, are developed in writing, and updated as needed.				Operations	Control Activity	
2. Interviews to select the most qualified candidate for job-protected positions are conducted by appropriately trained personnel. Non-merit factors are not considered in the selection of candidates. Selection of candidates is based on merit-related factors, for example education, experience, interviews, documented professional references, and examinations.				Operations	Control Environment	
3. A central file of all applicants who applied for or were considered for a position, along with supporting documentation, is maintained while the candidate holds the position.				Operations	Control Activity	
4. The agency does not permit hiring employees on a contractual basis to reduce its headcount and/or avoid paying employee benefits.				Operations	Control Environment	
5. Signed and approved signature authority approval forms must be approved and filed to be used for any key hire, promotion, termination, overtime, or attendance documents and reports.				Operations	Control Activity	
6. Employees receive performance appraisals timely as required by applicable law or agency policies, with the results fully documented.				Reporting	Control Environment	80 Ill. Adm. Code 302.270

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**STATE OF ILLINOIS
OFFICE OF COMPTROLLER**

SECTION INTERNAL CONTROLS

PROCEDURE - PAGE NO.
30 of 85

SUB-SECTION SECTION 2 SUPPLEMENT

EFFECTIVE DATE
September 1, 2021

PROCEDURE INTERNAL CONTROL REVIEW CHECKLIST

REVISION NUMBER
22-002

Objective/Control	Yes	No*	N/A	Green Book Obj.	Green Book Component	Add Reference
7. Employee turnover rates are developed, and up-to-date procedures are in place to ascertain the reasoning, with all results forwarded to management for review.				Reporting	Control Environment	
8. 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.				Operations	Control Environment	
9. Group insurance for employees paid from grant funds is paid from the grant and provided for in the grant's budget.				Compliance	Control Activity	30 ILCS 708/
10. When education, experience, and/or credentials are essential to hiring or promotion decisions, original or certified copies of appropriate documents and reference checks are obtained before selecting an individual.				Compliance	Control Environment	20 ILCS 415
11. Criminal background investigations are requested for individuals, if applicable, prior to their actual hiring or promotion.				Operations	Control Environment	
Objective 3: Appropriate standards of conduct are communicated and enforced throughout the agency.						
1. Various levels of supervision exist to control the activities of employees.				Operations	Control Activity	
2. Personnel rules and policy memos are published and distributed to all employees.				Operations	Information and Communication	
3. The agency has established an equal employment opportunity officer position, if required, and has initiated policies to ensure compliance with the Illinois Human Rights Act.				Compliance	Control Environment	775 ILCS 5/2-105
Objective 4: Employment records are promptly, completely, and accurately established with proper safeguards against unauthorized access and changes, and the preparation of fictitious records.						
1. Personnel files have been established for each employee which are adequately organized and include data such as applications or resumes, withholding authorization cards, performance appraisals, documentation of all promotions, raises, transfers, disciplinary action, etc.				Operations	Control Activity	
2. Deductions are not made from an employee's pay unless a properly signed and approved withholding authorization is on file.				Operations	Control Activity	5 ILCS 365/5

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**STATE OF ILLINOIS
OFFICE OF COMPTROLLER**

SECTION INTERNAL CONTROLS

PROCEDURE - PAGE NO.
31 of 85

SUB-SECTION SECTION 2 SUPPLEMENT

EFFECTIVE DATE
September 1, 2021

PROCEDURE INTERNAL CONTROL REVIEW CHECKLIST

REVISION NUMBER
22-002

Objective/Control	Yes	No*	N/A	Green Book Obj.	Green Book Component	Add Reference
3. All temporary and permanent changes in employment status (hiring, transfers, promotions, docking, etc.) are approved by upper management, fully documented, and promptly reported to the person responsible for payroll processing.				Operations	Information and Communication	SAMS Chapter 23
4. The agency utilizes the Central Payroll System or a comparable computerized system to make all payroll computations.				Operations	Control Activity	SAMS Chapter 23
5. Payroll warrants or checks at the agency are stored in a secure manner at all times.				Operations	Control Activity	
Objective 5: Controls are established to minimize the opportunity for employee time and attendance abuse.						
1. Employee attendance records and accrued benefit time have been established and properly maintained. Employees are regularly informed of their earned time totals.				Reporting	Information and Communication	80 Ill. Admin. Code 500.430
2. Procedures have been developed to determine that absences recorded on the attendance records are carried forward to the leave accumulation records.				Reporting	Control Activity	
3. Attendance records are reviewed by management in a timely manner and excessive absences and/or tardiness are properly dealt with.				Operations	Monitoring	
4. Employees on a leave of absence are required to remit life and health insurance premium payments and proper reports to CMS to maintain coverage during the leave of absence.				Compliance	Control Activity	5 ILCS 375/
5. Attendance records are kept on the basis of positive recording of attendance and signed by employees and approved by supervisors or managers who have personal knowledge of the subordinate's attendance and work.				Reporting	Control Activity	
6. Supervisory spot checks are made at locations where entities have decentralized operations and employees work independently and/or in crews.				Operations	Control Activity	
7. Allegations of time and attendance abuse are investigated, and disciplinary action is initiated when appropriate. Work standards are developed and compared with the actual performance for evaluation.				Operations	Control Environment	
8. The agency has a sick leave program, and it is being adhered to and communicated to employees.				Operations	Control Activity	5 ILCS 400/

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**STATE OF ILLINOIS
OFFICE OF COMPTROLLER**

SECTION INTERNAL CONTROLS

PROCEDURE - PAGE NO.
32 of 85

SUB-SECTION SECTION 2 SUPPLEMENT

EFFECTIVE DATE
September 1, 2021

PROCEDURE INTERNAL CONTROL REVIEW CHECKLIST

REVISION NUMBER
22-002

Objective/Control	Yes	No*	N/A	Green Book Obj.	Green Book Component	Add Reference
9. If applicable, agency procedures ensure that temporary and emergency employees do not earn leave.				Operations	Control Activity	
Objective 6: Overtime pay is used only when necessary, justified, and approved in advance.						
1. Up-to-date procedures exist to ensure overtime, compensatory time, out-of-classification pay, etc., is approved and justified by the employee's supervisor or a person knowledgeable of the assignment and need who won't personally benefit from the approval.				Operations	Control Activity	
2. Employees who are paid overtime are eligible to receive it.				Operations	Control Activity	
Objective 7: Human resource responsibilities are segregated from payroll distribution and recording responsibilities.						
1. Lump sum payments are reviewed by management for accuracy and traced to agency records.				Operations	Monitoring	
2. Payroll vouchers are reviewed and approved by upper management. Persons approving vouchers are not involved in payroll preparation.				Operations	Monitoring	SAMS Chapter 23
3. The person responsible for hiring, firing, and approving promotions is not involved with payroll functions or payroll warrant/check distribution. The person responsible for payroll warrant/check distribution is not involved with payroll functions, or an adequate supervisory review exists for each distribution.				Operations	Control Activity	
4. The agency designates separate individuals responsible for timekeeping and payroll voucher preparation, or an adequate supervisory review exists for each transaction. Adequate training is provided to responsible individuals.				Operations	Control Environment	
5. All state payments for an employee's payroll must be made through direct deposit unless a waiver is granted or a fee paid from each paper disbursement.				Compliance	Control Activity	15 ILCS 405/9.03

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**STATE OF ILLINOIS
OFFICE OF COMPTROLLER**

SECTION INTERNAL CONTROLS

PROCEDURE - PAGE NO.
34 of 85

SUB-SECTION SECTION 2 SUPPLEMENT

EFFECTIVE DATE
September 1, 2021

PROCEDURE INTERNAL CONTROL REVIEW CHECKLIST

REVISION NUMBER
22-002

7. PROPERTY, EQUIPMENT, AND INVENTORIES

FCIAA Reference: 30 ILCS 10/Article 3

Objective/Control	Yes	No*	N/A	Green Book Objective	Green Book Component	Additional Reference
Objective 1: Only approved and necessary property is procured, tagged, and retained.						
1. Up-to-date policies and procedures are clearly defined to govern the acquisition and disposal of capital assets (land, buildings, equipment, and vehicles).				Operations	Control Activities	
2. Long-range capital asset planning procedures exist and have been incorporated into the budgetary process.				Operations	Control Activities	
3. Up-to-date procedures exist to ensure the services of the Capital Development Board are utilized where required on construction, renovation, and large repair projects.				Operations	Control Activities	
4. Up-to-date procedures exist to ensure that all assets are fully utilized, and obsolete land, buildings, equipment, and vehicles are disposed of through CMS.				Operations	Control Activities	44 Ill. Admin. Code 5010.110
5. Current or anticipated space shortages or space surpluses have been brought to the attention of upper management and included in the long-range capital asset planning.				Operations	Information and Communication	
6. Up-to-date 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.				Operations	Information and Communication	
7. Equipment included in the property control system is identified as agency-owned by a numbered tag attached to each item or a similar indelible marking.				Operations	Control Activities	44 Ill. Admin. Code 5010.210
8. The tags or identifying markings on equipment valued at under \$1,000 (unless the item is considered high theft) differ from the tagging of items valued at over \$1,000 to aid in record keeping.				Operations	Control Activities	44 Ill. Admin. Code 5010.210
9. Up-to-date procedures exist to ensure that purchases do not exceed the needs of the agency in the immediate future.				Operations	Control Activities	

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

**STATE OF ILLINOIS
OFFICE OF COMPTROLLER**

SECTION INTERNAL CONTROLS

PROCEDURE - PAGE NO.
35 of 85

SUB-SECTION SECTION 2 SUPPLEMENT

EFFECTIVE DATE
September 1, 2021

PROCEDURE INTERNAL CONTROL REVIEW CHECKLIST

REVISION NUMBER
22-002

Objective/Control	Yes	No*	N/A	Green Book Objective	Green Book Component	Additional Reference
Objective 2: Property receipts, issues, transfers, retirements, and losses are recorded timely and accurately in the accounting records and the property control system.						
1. For property purchases all or in part from federal funds, the property control system meets all applicable property requirements set forth in the Uniform Guidance.				Compliance	Control Activities	
2. Disposition of assets purchased all or in part with grant funds is handled in accordance with the grant agreement or Uniform Guidance.				Compliance	Control Activities	
3. 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.				Operations	Control Environment	
4. Purchases, transfers, donated property, and disposals are promptly recorded in the agency's property control system.				Operations	Control Activities	
5. Procedures require assets to be recorded at their proper value, including:				Compliance	Control Activities	SAMS 29.10.30, SAMS 03.30.20, & 44 Ill. Admin. Code 5010.240
a. Asset value is recorded net of discounts;						
b. Freight and installation charges have been added to the asset value;						
c. The asset value has not been reduced by any trade-in allowance received;						
d. Transferred-in property is recorded at the original cost;						
e. Donated assets are at fair market value at the time of donation.						
6. Up-to-date procedures exist to document the movement of property between locations within a location. These changes are promptly reported, and the property records updated.				Operations	Control Activities	
7. Library books and other publications are included in the property control system.				Operations	Control Activities	30 ILCS 605
8. Telecommunications and IT property purchases are included in the property control system.				Operations	Control Activities	30 ILCS 605
9. Leased equipment in accord with the definition of a capital lease under generally accepted accounting principles is included in the property control system.				Operations	Control Activities	30 ILCS 605
10. A permanent record of all property items is reported to CMS as required by the State Property Control Act.				Reporting	Information and Communication	30 ILCS 605/6.02

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

**STATE OF ILLINOIS
OFFICE OF COMPTROLLER**

SECTION INTERNAL CONTROLS

PROCEDURE - PAGE NO.
36 of 85

SUB-SECTION SECTION 2 SUPPLEMENT

EFFECTIVE DATE
September 1, 2021

PROCEDURE INTERNAL CONTROL REVIEW CHECKLIST

REVISION NUMBER
22-002

Objective/Control	Yes	No*	N/A	Green Book Objective	Green Book Component	Additional Reference
11. The disposition of assets (including trade-ins) is done in accordance with the State Property Control Act.				Compliance	Control Activities	30 ILCS 605/7
12. Receiving documents are utilized to update property records.				Operations	Control Activities	
13. Equipment items, including vehicles, are identified and reported to CMS for transfer or disposal when it is no longer needed, unrepairable, or obsolete.				Reporting	Information and Communication	30 ILCS 605
Objective 3: Detailed subsidiary records are maintained for fixed assets and inventories, which are periodically reconciled to control accounts.						
1. A property control record keeping system has been developed and maintained which minimally includes the identification number, location code, description, purchase date, purchase price, object code, and voucher number for all high-theft assets, all capital assets regardless of their net value after depreciation, and all other assets with a net value after depreciation of \$1,000 or value of \$1,000 at the discretion of the agency.				Compliance	Control Activities	44 Ill. Admin. Code 5010.230 & 30 ILCS 605/6.02
2. Property control records are segregated by location (city, building, floor, etc.)				Operations	Control Activities	
3. If necessary, additional property records have been developed to identify the employee to whom an asset has been assigned.				Operations	Control Activities	
4. The property control system provides monthly balances for each location for reconciliation purposes.				Reporting	Information and Communication	
5. Fixed asset reports (Form C-15s) submitted to the Comptroller each quarter can be reconciled to the agency's property control system.				Reporting	Information and Communication	15 ILCS 405/17
Objective 4: Annual physical inventories are conducted of equipment. Discrepancies are reported accordingly.						
1. Physical inventory procedures exist for all high-theft assets, all capital assets regardless of their net value after depreciation, and all other assets with a net value after depreciation of \$1,000 or value of \$1,000 at the discretion of the agency to ensure proper completion of the Certification of Inventory Report and the related discrepancy report.				Reporting	Control Activities	44 Ill. Admin. Code 5010.460

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**STATE OF ILLINOIS
OFFICE OF COMPTROLLER**

SECTION INTERNAL CONTROLS

PROCEDURE - PAGE NO.
37 of 85

SUB-SECTION SECTION 2 SUPPLEMENT

EFFECTIVE DATE
September 1, 2021

PROCEDURE INTERNAL CONTROL REVIEW CHECKLIST

REVISION NUMBER
22-002

Objective/Control	Yes	No*	N/A	Green Book Objective	Green Book Component	Additional Reference
2. A physical inventory of all items on the property control system is taken annually, or in the manner agreed to in writing by CMS, and documented.				Compliance	Control Activities	30 ILCS 605 & 44 Ill. Admin. Code 5010.460(d) & (e)
3. Discrepancies noted during the physical inventory are reported to the employee responsible for property control and to upper management.				Reporting	Information and Communication	44 Ill. Admin. Code 5010.490
4. Items reported missing for an extended period are removed from property control records.				Operations	Control Activities	
5. Stolen property is reported to the proper law enforcement agencies in a timely manner and request for deletion is submitted to CMS.				Operations	Control Activities	44 Ill. Admin. Code 5010.500
6. Discrepancies of equipment are fully investigated and resulting adjustments are approved and completed by upper management.				Operations	Monitoring	
Objective 5: Commodities are accounted for, reviewed, and documented. Commodity inventories over \$150,000 are reported to the Comptroller.						
1. Physical counts of commodities are well planned and taken periodically.				Compliance	Monitoring	30 ILCS 500/50-55
2. Storerooms are kept neat and orderly with items identified by a part number to help identify and count commodities.				Operations	Control Activities	
3. Commodities inventory counts are reconciled to perpetual inventory records.				Operations	Monitoring	
4. Discrepancies of commodities are fully reviewed and resulting adjustments are approved and completed by upper management.				Operations	Monitoring	
5. Governmental funds with commodity inventories over \$150,000 are reported annually on SCO-577 to the Comptroller.				Operations	Monitoring	SAMS 27.20.77
Objective 6: Fixed assets are properly maintained, and physical security safeguards are commensurate with the size, type, and value of property.						
1. Up-to-date policies and procedures exist to properly maintain all capital assets. The agency has entered into maintenance contracts to service and repair expensive equipment.				Operations	Control Activities	
2. Up-to-date procedures are in effect to control access to all buildings.				Compliance	Control Activities	44 Ill. Adm. Code 5000.902

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**STATE OF ILLINOIS
OFFICE OF COMPTROLLER**

SECTION INTERNAL CONTROLS

PROCEDURE - PAGE NO.
38 of 85

SUB-SECTION SECTION 2 SUPPLEMENT

EFFECTIVE DATE
September 1, 2021

PROCEDURE INTERNAL CONTROL REVIEW CHECKLIST

REVISION NUMBER
22-002

Objective/Control	Yes	No*	N/A	Green Book Objective	Green Book Component	Additional Reference
3. An up-to-date Emergency Response Plan exists in case of fire or other disaster. Evacuation diagrams are posted in common areas of the facility.				Compliance	Control Activities	41 Ill. Adm. Code 100.7
4. Janitorial services are provided for all buildings or have been contracted for by the agency.				Operations	Control Activities	
5. Work areas are adequately heated, lighted, cooled, dry, and insulated from noise.				Operations	Control Activities	
6. Up-to-date procedures are in place to safeguard all assets, including files and records, from potential fire and water damage.				Operations	Control Activities	
7. Property most susceptible to theft have additional safeguards such as a check-out procedure.				Operations	Control Activities	
8. All employees have been informed of their responsibility for the general monitoring and maintenance of property, including property valued at under \$1,000, to ensure that all property is safeguarded.				Operations	Information and Communication	
Objective 7: Commodities are properly requisitioned, safeguarded, used only for authorized activities, and records of usage are accurately maintained.						
1. Up-to-date procedures are in effect to control the purchase, valuation method, recording, storage, and use of commodity inventories including items like office supplies, janitorial and maintenance supplies, food, clothing and general stores, drugs, and fuel.				Operations	Control Activities	
2. Controls over purchasing commodities are adequate to prevent overstocking of inventories.				Operations	Control Activities	
3. When receiving commodities, items and quantities on the packing slip are reconciled with what is received.				Operations	Control Activities	
4. Records are maintained on commodity inventories in sufficient detail to determine reorder points and reconcile to physical counts.				Operations	Control Activities	
5. All withdrawals from inventories are supported by properly authorized requisitions.				Operations	Control Activities	
6. Inventory requisitions are sequentially numbered and adequately accounted for.				Operations	Control Activities	
7. Up-to-date procedures include a periodic inspection of commodities on hand for obsolescence and to prevent and/or detect theft or misuse.				Operations	Control Activities	30 ILCS 500/50-55

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**STATE OF ILLINOIS
OFFICE OF COMPTROLLER**

SECTION INTERNAL CONTROLS

PROCEDURE - PAGE NO.
39 of 85

SUB-SECTION SECTION 2 SUPPLEMENT

EFFECTIVE DATE
September 1, 2021

PROCEDURE INTERNAL CONTROL REVIEW CHECKLIST

REVISION NUMBER
22-002

Objective/Control	Yes	No*	N/A	Green Book Objective	Green Book Component	Additional Reference
8. Commodities are identified for transfer or disposal when they are in excess or obsolete.				Operations	Control Activities	
9. Work orders, parts orders, or similar documents are used to trace issues from inventory to their ultimate use.				Operations	Control Activities	
10. Sensitive items, such as controlled drugs, are stored in locked or limited access locations.				Operations	Control Activities	
11. Storerooms are locked when not controlled by a storekeeper.				Operations	Control Activities	
12. Perishable goods are kept at reasonable levels and stored in the manner necessary to prevent spoilage.				Operations	Control Activities	
Objective 8: Personnel are competent, supervised, and assigned duties such that no one individual can control all or related key aspects of a transaction.						
1. Up-to-date policies and procedures clearly define responsibilities of personnel with regard to the custody and use of assets.				Operations	Control Environment	
2. A Property Control Liaison has been assigned custodial responsibilities for equipment at the agency level.				Operations	Control Environment	
3. Persons responsible for property control are not involved with the purchasing, receiving, or expenditure processing systems.				Operations	Control Activities	SAMS 02.50.10
4. Persons responsible for maintaining property control records are not involved with the taking of a physical inventory or the custody of assets.				Operations	Control Activities	SAMS 02.50.10
5. Persons responsible for custody of commodities are not involved with taking physical counts of commodities or commodities inventory records.				Operations	Control Activities	SAMS 02.50.10

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

**STATE OF ILLINOIS
OFFICE OF COMPTROLLER**

SECTION INTERNAL CONTROLS

PROCEDURE - PAGE NO.
41 of 85

SUB-SECTION SECTION 2 SUPPLEMENT

EFFECTIVE DATE
September 1, 2021

PROCEDURE INTERNAL CONTROL REVIEW CHECKLIST

REVISION NUMBER
22-002

8. REVENUES AND RECEIVABLES

FCIAA Reference: 30 ILCS 10/Article 3

Objective/Control	Yes	No*	N/A	Green Book Objective	Green Book Component	Additional Reference
Objective 1: A proper segregation of duties should exist to safeguard assets and provide appropriate checks and balances (supervisor level reviews can be used as a substitute in small agencies).						
1. Responsibilities of collecting and processing receipts, maintenance of accounts receivable records, and issuing billings are segregated to separate individuals.				Operations	Control Activities	
2. Responsibilities for cash receipts are segregated from those for cash disbursements.				Operations	Control Activities	
3. Refunds, credit memorandums, and voided transactions require a separate review and approval by a responsible manager or designated staff.				Operations	Control Activities	
4. Responsibilities for collecting receipts and preparing deposits are segregated from those for recording cash receipts and general ledger entries.				Operations	Control Activities	
5. Reconciliations of revenues, receivables, and receipts are prepared by persons not having authorization, recording, or custody responsibilities of the related asset.				Operations	Control Activities	
6. Persons responsible for processing or recording cash receipts are prohibited from receiving returned checks.				Operations	Control Activities	
7. Write-offs are performed per up-to-date procedures outlined in accordance with SAMS Manual (Chapter 26) and approved in accordance with applicable law by a responsible manager or designated staff other than the accounts receivable personnel. Upper management is promptly notified when accounts are deemed uncollectable.				Operations	Control Activities	30 ILCS 205/2 SAMS Chapter 26
8. Organization charts, procedural manuals, and policy memorandums clearly define responsibilities and lines of authority for revenue assessment, collection, and processing.				Operations	Control Environment	
9. Staff size and competence is sufficient to adequately assess, collect, and process all receipts and revenues.				Operations	Control Environment	

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**STATE OF ILLINOIS
OFFICE OF COMPTROLLER**

SECTION INTERNAL CONTROLS

PROCEDURE - PAGE NO.
42 of 85

SUB-SECTION SECTION 2 SUPPLEMENT

EFFECTIVE DATE
September 1, 2021

PROCEDURE INTERNAL CONTROL REVIEW CHECKLIST

REVISION NUMBER
22-002

Objective/Control	Yes	No*	N/A	Green Book Objective	Green Book Component	Additional Reference
10. Up-to-date procedures require supervisory personnel to be advised of all unreconciled differences.				Operations	Information & Communication	
11. Billing disputes which are reported to the agency are promptly investigated by an independent person.				Operations	Control Activities	
12. Each employee responsible for collections has a separate cash drawer and individual accountability is maintained.				Operations	Control Activities	
13. Charges are reviewed and compared to a pre-established fee schedule by someone other than the person initially recording the charge.				Operations	Control Activities	
Objective 2: Physical security safeguards are maintained where cash is stored and processed.						
1. Up-to-date procedures are adequate to ensure that money received is properly safeguarded to prevent theft of funds.				Operations	Control Activities	30 ILCS 10
2. Checks are immediately restrictively endorsed upon receipt.				Operations	Control Activities	
3. Adequate physical facilities exist to safeguard and store receipts.				Operations	Control Activities	
Objectives 3: Revenues and receipts have been recorded properly and timely and deposited promptly.						
1. All revenues and receipts are immediately recorded in proper books which minimally include the date received, payor, purpose, amount, and manner of disbursement.				Compliance	Control Activity	30 ILCS 230/2(a)
2. Up-to-date procedures are adequate to ensure that revenues are being deposited in the correct fund and receipt account.				Compliance	Control Activity	SAMS Chapter 25
3. Collections received throughout the agency are promptly forwarded to a central unit for processing.				Operations	Control Environment	
4. Controls over the opening of mail and currency received are adequate to ensure that revenue and receipts are properly processed.				Operations	Control Activity	
5. Deposits into the State Treasury are timely reconciled to the <i>Monthly Revenue Status</i> (SB04) report received from the Comptroller. Differences are investigated and adjusted as required.				Compliance	Monitoring	SAMS Chapter 25 30 ILCS 230/2

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**STATE OF ILLINOIS
OFFICE OF COMPTROLLER**

SECTION INTERNAL CONTROLS

PROCEDURE - PAGE NO.
43 of 85

SUB-SECTION SECTION 2 SUPPLEMENT

EFFECTIVE DATE
September 1, 2021

PROCEDURE INTERNAL CONTROL REVIEW CHECKLIST

REVISION NUMBER
22-002

Objective/Control	Yes	No*	N/A	Green Book Objective	Green Book Component	Additional Reference
6. Deposit extensions received from the Comptroller and Treasurer which give the agency more than 48 hours to deposit receipts into the State Treasury are reasonable and necessary.				Compliance	Control Activity	30 ILCS 230/2(b)
7. Receipts are deposited intact and not retained or expended.				Compliance	Control Activity	30 ILCS 230
8. Up-to-date procedures for processing receipts are designed to ensure that all monies are deposited in a timely manner.				Compliance	Control Activity	30 ILCS 230
9. Deposit reports received from the Treasurer are reconciled to deposit records. Differences are investigated and adjusted as required.				Reporting	Monitoring	SAMS Chapter 25
10. Written instructions exist for cash handling activities.				Operations	Control Activity	
11. Up-to-date cash handling procedures and a listing of all employees authorized to handle cash exists.				Operations	Control Activity	
12. Daily deposits are reconciled to entries in the original receipt logs.				Reporting	Monitoring	
13. Receipts from separate collection locations are reported to the general accounting department on a timely basis.				Reporting	Control Activity	
14. Cash register cumulative control totals or other types of controlled forms are reconciled with collections on a daily basis.				Reporting	Monitoring	
Objective 4: Collections of 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.						
1. Up-to-date procedures have been developed to assess all revenues which are required to be collected based on applicable law.				Compliance	Control Activity	
2. All assessments and collections of revenues are supported by statutory or regulatory authority.				Compliance	Control Activity	
3. Procedures to be followed in the assessment, collection, and processing of revenues are documented and updated as changes occur.				Operations	Control Activity	
4. Source documentation for revenues and receipts is reviewed for completeness and accuracy.				Reporting	Control Activity	
5. Source documents, such as invoices, tax returns, or currency receipts, are systematically controlled. Controlled documents are reviewed periodically to ensure all documents are accounted for.				Reporting	Control Activity	

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**STATE OF ILLINOIS
OFFICE OF COMPTROLLER**

SECTION INTERNAL CONTROLS

PROCEDURE - PAGE NO.
44 of 85

SUB-SECTION SECTION 2 SUPPLEMENT

EFFECTIVE DATE
September 1, 2021

PROCEDURE INTERNAL CONTROL REVIEW CHECKLIST

REVISION NUMBER
22-002

Objective/Control	Yes	No*	N/A	Green Book Objective	Green Book Component	Additional Reference
6. Where applicable, the agency performs audits of source documents to determine accuracy.				Reporting	Monitoring	
7. Revenue accounts are reviewed annually for appropriateness/reasonableness and provide adequate distinction to allow for the proper completion of the annual Fee Imposition Report.				Compliance	Control Activity	15 ILCS 405/16.2 & SAMS 33.16.10
Objective 5: The amounts of gross revenues recorded are reasonable in relation to applicable legislation and related data such as budgetary forecasts, prior years statistics, number of licenses issued, contractual agreements, etc.						
1. Formal up-to-date procedures exist for estimating revenues and monitoring significant deviations in revenue projections.				Reporting	Monitoring	
2. Where applicable, the agency utilizes the records of other federal, state, or local governments to identify probable taxpayers and licensees.				Operations	Information and Communication	
3. Where assessments are to be made at regular intervals (taxes, license renewals, etc.), prior period records are used as a beginning database for issuing current year assessments.				Operations	Information and Communication	
4. For each person or business paying assessments on a regular basis, current receipts are compared to prior period receipts. Deviations are documented and investigated.				Reporting	Monitoring	
5. Databases used for assessments are updated to include new registrants, deletions, and other changes in status since the prior assessment of revenues.				Operations	Information and Communication	
6. Up-to-date procedures exist to compare actual revenues and receipts to projected amounts and prior year statistics. Significant variances are reviewed and reported to upper management.				Reporting	Monitoring	
Objective 6: Refunds were recorded and deposited in accordance with applicable laws and regulations.						
1. Refunds received from vendors and warrants returned uncashed are properly recorded and promptly processed.				Reporting	Control Activities	SAMS Chapter 25
Objective 7: Prompt and accurate recording of all receivables is maintained.						
1. Up-to-date procedures provide for receivables to be established as assessments are issued.				Reporting	Control Activity	

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**STATE OF ILLINOIS
OFFICE OF COMPTROLLER**

SECTION INTERNAL CONTROLS

PROCEDURE - PAGE NO.
45 of 85

SUB-SECTION SECTION 2 SUPPLEMENT

EFFECTIVE DATE
September 1, 2021

PROCEDURE INTERNAL CONTROL REVIEW CHECKLIST

REVISION NUMBER
22-002

Objective/Control	Yes	No*	N/A	Green Book Objective	Green Book Component	Additional Reference
2. Numerical controls over billings and credit memorandums exist to ensure that unauthorized transactions are not recorded.				Reporting	Control Activity	
3. Accounts receivable ledgers are balanced at least monthly and reconciled to the general ledger accounts.				Reporting	Monitoring	
4. Up-to-date procedures are adequate to ensure that increases and decreases in individual accounts are posted only from authorized source documents.				Reporting	Control Activity	
5. Penalties and interest are assessed where allowable by law on late filings and/or late payments.				Operations	Control Activity	
6. Credit balances are reviewed periodically, including making appropriate determinations on unclaimed property, where applicable.				Reporting	Monitoring	765 ILCS 1026
Objective 8: Ability exists to determine and report sources and age of receivables.						
1. Formal due dates must be established for all receivables recorded.				Reporting	Control Activity	SAMS Chapter 26
2. Up-to-date procedures exist to determine whether receivables were paid by the formal due date.				Operations	Control Activity	
3. Accounts receivable are aged regularly in a manner which facilitates quarterly reporting of aged gross receivables to the Comptroller (Form C-98). Deviations are reasonable and documented.				Reporting	Monitoring	SAMS 26.30.30
4. Material delinquent accounts are listed periodically and reviewed by a responsible manager or designated staff other than accounts receivable personnel.				Operations	Monitoring	
Objective 9: Continuous and timely attempts are made to collect receivables due.						
1. When revenue assessments require that billings be sent out, the billings are issued in a timely manner.				Operations	Control Activities	
2. Billings are issued on all unpaid assessments on a regular basis, or until the amount due is determined to be uncollectible.				Operations	Control Activities	
3. Up-to-date procedures exist to coordinate collection efforts on delinquent accounts.				Operations	Control Activities	

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**STATE OF ILLINOIS
OFFICE OF COMPTROLLER**

SECTION INTERNAL CONTROLS

PROCEDURE - PAGE NO.
46 of 85

SUB-SECTION SECTION 2 SUPPLEMENT

EFFECTIVE DATE
September 1, 2021

PROCEDURE INTERNAL CONTROL REVIEW CHECKLIST

REVISION NUMBER
22-002

Objective/Control	Yes	No*	N/A	Green Book Objective	Green Book Component	Additional Reference
4. Dishonored checks returned from the Treasurer are adequately pursued and controlled, and all steps taken in collection are properly documented.				Operations	Control Activities	
5. Adequate collection procedures are in effect and include utilizing all legal remedies under statute.				Compliance	Control Activities	30 ILCS 210
6. Ensure when there is bad debt, the agency reaches out to Illinois State Comptroller for the Comptroller's offset system/involuntary withholding.				Operations	Control Activities	30 ILCS 205 & 210
Objective 10: The portion of receivables that may not be collected is identified.						
1. Up-to-date procedures for estimating collectability of receivables are in accordance with SAMS.				Reporting	Control Activity	SAMS 26.20.20
2. Trends in receivables are developed and examined by upper management. Significant increases in outstanding receivables receive appropriate attention.				Operations	Information & Communication	

If the agency has locally-held funds, a separate checklist for the internal control categories listed below will need to be completed for both the treasury and locally-held funds:

- 5. Expenditure Control**
- 8. Revenues and Receivables**
- 9. Petty Cash and Local Funds**

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

**STATE OF ILLINOIS
OFFICE OF COMPTROLLER**

SECTION INTERNAL CONTROLS

PROCEDURE - PAGE NO.
48 of 85

SUB-SECTION SECTION 2 SUPPLEMENT

EFFECTIVE DATE
September 1, 2021

PROCEDURE INTERNAL CONTROL REVIEW CHECKLIST

REVISION NUMBER
22-002

9. PETTY CASH AND LOCAL FUNDS

FCIAA Reference: 30 ILCS 10/Article 3

Objective/Control	Yes	No*	N/A	Green Book Objective	Green Book Component	Additional Reference
Objective 1: Petty cash and local funds are subject to adequate accountability.						
Controls applicable to petty cash and local funds.						
1. All petty cash and local funds were established with the approval of the Comptroller's Office or authorized by statute (local fund).				Compliance	Control Environment	SAMS Chapter 9
2. Policies and review procedures exist to limit the use of petty cash and local funds to their authorized purpose.				Operations	Control Activity	SAMS Chapter 9
3. A listing of all petty cash and local funds exists and is updated promptly when changes occur, including physical locations, responsible parties, and bank accounts.				Operations	Control Environment	
4. Employees who handle significant amounts of cash are adequately bonded.				Operations	Control Activity	
5. Reimbursement checks are made out to the correct payee, the agency, and fund name (local) or designated responsible individual (custodian of petty cash).				Operations	Control Activity	SAMS Chapter 9
6. Checks are prenumbered and controlled to ensure all checks are accounted for. Voided checks are adequately cancelled to preclude negotiability and maintained on file.				Operations	Control Activity	
7. Up-to-date procedures exist to ensure SAMS reporting requirements for petty cash and local funds are met.				Reporting	Control Activity	
8. Responsible officials are prohibited from signing blank checks or checks payable to themselves or to cash or bearer.				Operations	Control Activity	
9. Whenever the responsible custodian of a locally held fund or petty cash fund changes, a reconciliation of the fund is performed before the new custodian takes over.				Operations	Control Activity	
10. Credit balances and stale checks are reviewed periodically, including making appropriate determinations on unclaimed property, where applicable.				Reporting	Monitoring	765 ILCS 1026
11. 1099 tax forms were generated for any reportable payments.				Reporting	Control Activity	

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

**STATE OF ILLINOIS
OFFICE OF COMPTROLLER**

SECTION INTERNAL CONTROLS

PROCEDURE - PAGE NO.
49 of 85

SUB-SECTION SECTION 2 SUPPLEMENT

EFFECTIVE DATE
September 1, 2021

PROCEDURE INTERNAL CONTROL REVIEW CHECKLIST

REVISION NUMBER
22-002

Objective/Control	Yes	No*	N/A	Green Book Objective	Green Book Component	Additional Reference
Controls applicable to petty cash.						
1. Petty cash is accounted for on an imprest basis, with cash or account balances, totaled with expenditures pending reimbursement, equal the approved amount of the fund.				Compliance	Control Activity	30 ILCS 105
2. Petty cash funds are segregated from other cash.				Operations	Control Activity	SAMS Chapter 9
3. Responsibility for each petty cash fund is assigned to a custodian. If applicable, changes in the custodian should be promptly reported to the bank.				Operations	Control Environment	
4. The fund amount never exceeds the amount approved by the Comptroller.				Compliance	Control Activity	SAMS Chapter 9
5. Procedures exist to ensure that expenditures and fund reimbursements are processed in a timely manner with proper documentation.				Operations	Control Activity	
6. Procedures provide that petty cash cannot be disbursed without adequate source documentation. Petty cash vouchers are prepared to substantiate purchases of goods or services and are signed and dated by the receiving employee.				Operations	Control Activity	
7. Source documentation of expenditures are adequately cancelled to prevent reuse or duplicate payments.				Operations	Control Activity	
8. Physical facilities are adequate to safeguard petty cash against theft. Funds of over \$100 are maintained in local bank accounts with federal deposit insurance coverage.				Compliance	Control Activity	30 ILCS 105
9. Procedures exist to ensure that expenditures do not exceed the single purchase limitation of \$100. Splitting of purchases to circumvent this limitation is not allowed.				Compliance	Control Activity	30 ILCS 105
10. A dollar amount has been established at which reimbursement to the fund is initiated in order to prevent shortages of petty cash.				Operations	Control Activity	SAMS Chapter 9
11. Vouchers for fund reimbursement include adequate supporting documentation and are reviewed and approved by an independent person.				Operations	Control Activity	
12. The petty cash fund is reconciled, including cash counts, by an independent person on a regular basis.				Operations	Monitoring	
13. All expenditures from the petty cash fund paid during the current fiscal year are reimbursed to the fund before the end of the Lapse Period.				Compliance	Control Activity	SAMS Chapter 9

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**STATE OF ILLINOIS
OFFICE OF COMPTROLLER**

SECTION INTERNAL CONTROLS

PROCEDURE - PAGE NO.
50 of 85

SUB-SECTION SECTION 2 SUPPLEMENT

EFFECTIVE DATE
September 1, 2021

PROCEDURE INTERNAL CONTROL REVIEW CHECKLIST

REVISION NUMBER
22-002

Objective/Control	Yes	No*	N/A	Green Book Objective	Green Book Component	Additional Reference
14. Periodic surprise cash counts are performed by someone other than the cashier to determine that change and reserve funds and currently accumulated collections are intact.				Operations	Monitoring	
15. Petty cash reimbursements are made out to the fund custodian. When petty cash is held at a bank, the bank is notified in writing not to accept checks payable to the agency.				Operations	Control Activity	
Controls applicable to local funds.						
1. Proper books have been established to record all receipts and disbursements and indicate the balance at any point in time.				Reporting	Control Activity	
2. Receipt processing into local funds is handled using the same internal controls as used to process receipts for deposit into the State Treasury.				Operations	Control Activity	
3. Physical facilities are adequate to safeguard assets, including check-signing plates.				Operations	Control Activity	
4. Signature authority to approve disbursements from local funds is delegated to a few managerial employees only and promptly revoked when employees leave the agency. The bank is notified of the changes.				Operations	Control Environment	
5. Two signatures are required on disbursements over a stated amount.				Operations	Control Activity	
6. Excess funds held in local accounts are invested in interest bearing accounts at prevailing rates or better within two working days or, if required, timely deposited into the State Treasury.				Compliance	Control Activity	30 ILCS 225/1
7. Interest earned on resident trust funds is distributed to the residents in a timely and equitable manner.				Operations	Control Activity	
8. Financial statements for resident trust funds are prepared monthly and distributed to each resident and/or guardian.				Reporting	Information & Communication	
9. Where investment of local funds is permitted, an up-to-date written investment policy has been adopted.				Compliance	Control Environment	30 ILCS 235/2.5
10. Responsibilities including custody of physical cash, blank checks, authorizing transactions, and recording transactions are delegated to different staff members.				Operations	Control Activity	
11. Procedures exist to ensure checks returned uncashed are adequately controlled.				Operations	Control Activity	
12. All accounts are adequately collateralized.				Compliance	Control Activity	30 ILCS 235

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

**STATE OF ILLINOIS
OFFICE OF COMPTROLLER**

SECTION INTERNAL CONTROLS

PROCEDURE - PAGE NO.
51 of 85

SUB-SECTION SECTION 2 SUPPLEMENT

EFFECTIVE DATE
September 1, 2021

PROCEDURE INTERNAL CONTROL REVIEW CHECKLIST

REVISION NUMBER
22-002

Objective/Control	Yes	No*	N/A	Green Book Objective	Green Book Component	Additional Reference
13. Reconciliations of the agency's books and local bank accounts are performed monthly by an independent person. All differences are investigated.				Operations	Monitoring	
14. Supervisory personnel review and approve all monthly reconciliations and are advised of differences discovered in reconciliations.				Operations	Monitoring	
15. Checks state on their face that they are void if not presented for payment within a stated period.				Operations	Control Activity	
16. Reconciliations of bank accounts and physical cash are performed monthly by persons not having authorization, recording, or custody responsibilities of the related asset. These reconciliations should have sufficient reviews.				Operations	Control Activity	

If the agency has locally-held funds, a separate checklist for the internal control categories listed below will need to be completed for both the treasury and locally held-funds:

- 5. Expenditure Control**
- 8. Revenues and Receivables**
- 9. Petty Cash and Local Funds**

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

**STATE OF ILLINOIS
OFFICE OF COMPTROLLER**

SECTION INTERNAL CONTROLS

PROCEDURE - PAGE NO.
53 of 85

SUB-SECTION SECTION 2 SUPPLEMENT

EFFECTIVE DATE
September 1, 2021

PROCEDURE INTERNAL CONTROL REVIEW CHECKLIST

REVISION NUMBER
22-002

10. GRANT ADMINISTRATION

FCIAA Reference: 30 ILCS 10/Article 3

Objective/Control	Yes	No*	N/A	Green Book Objective	Green Book Component	Additional References
Objective 1: Establish and maintain effective internal controls over federal and State awards, including administering awards in compliance with federal and State laws and regulations and the terms and conditions of the award.						
<i>Agency as a Recipient</i>						
1. Up-to-date written procedures ensure that applications for federal grant funding include a review by fiscal and administrative staff to ensure:				Compliance	Control Environment	2 CFR §200 30 ILCS 78
a. the proposal meets the goals and objectives of the agency's programs;				Compliance	Control Environment	2 CFR §200 30 ILCS 78
b. the budget is mathematically accurate;				Compliance	Control Environment	2 CFR §200 30 ILCS 78
c. the budget does not include unallowable costs;				Compliance	Control Environment	2 CFR §200 30 ILCS 78
d. the budget includes indirect costs in accordance with federally approved indirect cost rate, cost allocation plans, or the de minimis rate; and				Compliance	Control Environment	2 CFR §200 30 ILCS 78
e. adequate agency funds exist to meet cost sharing requirements.				Compliance	Control Environment	2 CFR §200
2. Responsibilities as documented in written, up-to-date policies for the following have been assigned to specific job-titles:				Operations	Control Activities	
a. acquiring grant funding;				Operations	Control Activities	
b. spending funds; and				Operations	Control Activities	
c. monitoring program activities.				Operations	Control Activities	
3. The responsibilities for the positions described in question 2 above have been adequately segregated.				Operations	Control Activities	
4. Grants between State agencies are fully documented in written interagency agreements and/or grant agreements, using standardized, GATA-issued forms.				Operations	Control Activities	30 ILCS 78
5. A fully executed grant agreement and, if necessary, a fully executed interagency agreement is in each grant file.				Operations	Control Activities	

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**STATE OF ILLINOIS
OFFICE OF COMPTROLLER**

SECTION INTERNAL CONTROLS

PROCEDURE - PAGE NO.
54 of 85

SUB-SECTION SECTION 2 SUPPLEMENT

EFFECTIVE DATE
September 1, 2021

PROCEDURE INTERNAL CONTROL REVIEW CHECKLIST

REVISION NUMBER
22-002

Objective/Control	Yes	No*	N/A	Green Book Objective	Green Book Component	Additional References
<i>Agency as a Pass-thru</i>						
1. Up-to-date written procedures ensure that applications for State grant funding include a review by fiscal and administrative staff to ensure:				Operations	Control Activities	30 ILCS 708/20
a. the Uniform Notice of Funding Opportunity (NOFO) is used;				Operations	Control Activities	30 ILCS 708/20
b. a Notice of State Award (NOSA) has been issued;				Operations	Control Activities	30 ILCS 708/20
c. the award is included in the Catalog of State Financial Assistance (CSFA);				Operations	Control Activities	30 ILCS 708/20
d. the NOSA includes grant-specific conditions of the award;				Operations	Control Activities	30 ILCS 708/20
e. a Uniform Grant Agreement or interagency agreement has been fully executed;				Operations	Control Activities	30 ILCS 708/20
f. the subrecipient completed the registration and pre-qualification requirements;				Operations	Control Activities	30 ILCS 708/20
g. the risk posed by the applicant has been assessed;				Operations	Control Activities	30 ILCS 708/20
h. specific conditions have been included in the NOSA and the grant agreement for high-risk areas;				Operations	Control Activities	30 ILCS 708/20
i. adequate, competent staffing exists at the agency to properly monitor grant program activities; and				Operations	Control Activities	30 ILCS 708/20
j. the awarding agency ensures subrecipient audit requirements are being met.				Operations	Control Activities	30 ILCS 708/20
Objective 2: Monitor each program, function, or activity to assure compliance with applicable federal and state requirements.						
<i>Agency as a Recipient</i>						
1. The financial management system identifies all State and federal awards by:				Compliance	Control Activities	§200.302(b)(1)/(3) 30 ILCS 708
a. CFDA title and number;				Compliance	Control Activities	§200.302(b)(1)/(3) 30 ILCS 708
b. award number and year; and				Compliance	Control Activities	§200.302(b)(1)/(3) 30 ILCS 708
c. federal agency and any pass-through entities.				Compliance	Control Activities	§200.302(b)(1)/(3) 30 ILCS 708
2. The financial management system records and displays:				Compliance	Control Activities	§200.302(b)(1)/(3) 30 ILCS 708
a. pending authorizations;				Compliance	Control Activities	§200.302(b)(1)/(3) 30 ILCS 708
b. current obligations;				Compliance	Control Activities	§200.302(b)(1)/(3) 30 ILCS 708

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**STATE OF ILLINOIS
OFFICE OF COMPTROLLER**

SECTION INTERNAL CONTROLS

PROCEDURE - PAGE NO.
55 of 85

SUB-SECTION SECTION 2 SUPPLEMENT

EFFECTIVE DATE
September 1, 2021

PROCEDURE INTERNAL CONTROL REVIEW CHECKLIST

REVISION NUMBER
22-002

Objective/Control	Yes	No*	N/A	Green Book Objective	Green Book Component	Additional References
c. unobligated balances;				Compliance	Control Activities	§200.302(b)(1)/(3) 30 ILCS 708
d. agency owned assets;				Compliance	Control Activities	§200.302(b)(1)/(3) 30 ILCS 708
e. expenditures by award;				Compliance	Control Activities	§200.302(b)(1)/(3) 30 ILCS 708
f. interest earned on grant funds; and				Compliance	Control Activities	§200.302(b)(1)/(3) 30 ILCS 708
g. program income.				Compliance	Control Activities	§200.302(b)(1)/(3) 30 ILCS 708
3. The financial transactions can be distinguished between sources of funding (i.e., federal and State).				Compliance	Control Activities	§200.302(b)(1)/(3) 30 ILCS 708
4. The financial management system allows for comparison of line-item expenditures with budgeted amounts for each individual grant.				Compliance	Control Activities	§200.302(b)(1)/(3) 30 ILCS 708
5. Award monitoring is regularly carried out by competent grant personnel.				Compliance	Control Activities	§200.302(b)(1)/(3) 30 ILCS 708
6. For potential costs where it is difficult to determine the reasonableness or allocability of any portion of the cost, prior written approval of the cognizant agency for indirect costs or the federal awarding agency has been received in advance of the incurrence of special or unusual costs.				Compliance	Control Activities	§200.302(b)(1)/(3) 30 ILCS 708
7. The length of time between the disbursement of funds and the agency's reimbursement request is as short as administratively possible.				Compliance	Control Activities	§200.302(b)(1)/(3) 30 ILCS 708
a. Supporting documentation exists for all cash drawdowns.				Compliance	Control Activities	§200.302(b)(1)/(3) 30 ILCS 708
b. If the program has an approved clearance pattern in the Treasury State Agreement, disbursements comply with the agreed-upon requirements.				Compliance	Control Activities	30 ILCS 708
Reporting requirements						
8. Up-to-date written procedures define reporting requirements and submission deadlines are clearly communicated.				Compliance	Control Activities	§200.327-328 30 ILCS 708
9. All financial information reported to the grantor or sub-grantor can be supported by the accounting system and all reports are reviewed and approved by supervisors prior to their submission.				Compliance	Control Activities	§200.327 30 ILCS 708
10. Programmatic reports are prepared by employees directly involved with the grant program.				Compliance	Information & Communication	§200.328 30 ILCS 708
a. All reports are reviewed and approved by supervisors prior to submission.				Compliance	Information & Communication	§200.328 30 ILCS 708

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**STATE OF ILLINOIS
OFFICE OF COMPTROLLER**

SECTION INTERNAL CONTROLS

PROCEDURE - PAGE NO.
56 of 85

SUB-SECTION SECTION 2 SUPPLEMENT

EFFECTIVE DATE
September 1, 2021

PROCEDURE INTERNAL CONTROL REVIEW CHECKLIST

REVISION NUMBER
22-002

Objective/Control	Yes	No*	N/A	Green Book Objective	Green Book Component	Additional References
b. Programmatic performance reports tie to financial reporting.				Compliance	Information & Communication	§200.328 30 ILCS 708
11. Written policies define the record retention requirements.				Compliance	Control Environment	§200.333 30 ILCS 708
12. For each fund used by the agency receiving cash or non-cash assistance from the federal government, other governmental units, and private organizations, up-to-date policies and procedures exist to ensure the Grant/Contract Analysis (Form SCO-563) submitted to the Comptroller properly reflects:				Operations	Information & Communication	SAMS 27.20.63
a. all federal assistance, both monetary and nonmonetary;				Operations	Information & Communication	SAMS 27.20.63
b. all pass-through funds; and				Operations	Information & Communication	SAMS 27.20.63
c. all federal funds transferred to other departments?				Operations	Information & Communication	SAMS 27.20.63
13. For each fund receiving cash or non-cash assistance from another State fund, are up-to-date policies and procedures in place to ensure the Interfund Activity - Grantee Agency (Form SCO-567) submitted to the Comptroller properly reflects:				Operations	Information & Communication	SAMS 27.20.63
a. all federal assistance, both monetary and nonmonetary;				Operations	Information & Communication	SAMS 27.20.63
b. all pass-through funds; and				Operations	Information & Communication	SAMS 27.20.63
c. all federal funds transferred to other departments?				Operations	Information & Communication	SAMS 27.20.63
<i>Agency as a Pass-thru</i>						
1. Subrecipient activities are monitored frequently enough to provide reasonable assurance of their compliance with the terms and conditions of the grant agreement.				Compliance	Monitoring	§200.331(d) 30 ILCS 708
2. The awarding agency monitors all recipients to ensure:				Compliance	Monitoring	§200.207 30 ILCS 708
a. reporting requirements are met;				Compliance	Monitoring	§200.207 30 ILCS 708
b. reports are received on time; and				Compliance	Monitoring	§200.207 30 ILCS 708
c. reporting noncompliance results in the recipient's placement on Grantee Compliance Enforcement System.				Compliance	Monitoring	§200.207 30 ILCS 708
3. Reports received from subrecipients are reviewed for accuracy and completeness.				Compliance	Monitoring	§200.328 30 ILCS 708
4. Unusual items found during the monitoring process are fully investigated.				Compliance	Monitoring	§200.328 30 ILCS 708

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**STATE OF ILLINOIS
OFFICE OF COMPTROLLER**

SECTION INTERNAL CONTROLS

PROCEDURE - PAGE NO.
57 of 85

SUB-SECTION SECTION 2 SUPPLEMENT

EFFECTIVE DATE
September 1, 2021

PROCEDURE INTERNAL CONTROL REVIEW CHECKLIST

REVISION NUMBER
22-002

Objective/Control	Yes	No*	N/A	Green Book Objective	Green Book Component	Additional References
5. The awarding agency bills subrecipients for the refund of overpayments as soon as they are detected.				Compliance	Control Activities	§200.345 30 ILCS 708
6. The awarding agency initiates the Comptroller's offset system for any uncollectible funds.				Compliance	Control Activities	30 ILCS 705-6
7. Advance funding limited to the grantee's actual immediate cash needs are only allowed for subrecipients that:				Compliance	Control Activities	§200.305
a. maintain up-to-date written procedures that minimize the time elapsing between the receipt and disbursement by the non-federal agency; and				Compliance	Control Activities	§200.305
b. meet the financial management standards of 2 CFR § 200.302.				Compliance	Control Activities	§200.305
8. If the agency cannot meet the criteria for advance payments, the pass-through must:				Compliance	Control Activities	§200.305
a. document the non-federal agency lacks sufficient working capital;				Compliance	Control Activities	§200.305
b. limit the advance working capital payment to initial start-up costs and normal monthly grant expenses, not to exceed two months; and				Compliance	Control Activities	44 Ill. Admin. Code 7000.120
c. after initial cash working capital advance, the non-federal agency is only reimbursed for actual cash disbursements.				Compliance	Control Activities	44 Ill. Admin. Code 7000.120
Objective 3: Award recipients maintain sound organization and management techniques, along with acceptable accounting systems, in order to assure proper and efficient administration of awarded grants.						
<i>Agency as a Recipient</i>						
1. Appropriations for grant funding are properly aligned to 4400, 4900, or 1900 line items.				Operations	Control Activities	30 ILCS 105
2. The accounting system provides for the accumulation and recording of grant expenditures.				Compliance	Information & Communication	§200.400(d) 30 ILCS 708
3. Matching funds are:				Compliance	Control Activities	§200.306(b)(2) 30 ILCS 708
a. verifiable;				Compliance	Control Activities	§200.306(b)(2)
b. allowable; and				Compliance	Control Activities	§200.306(b)(2)
c. not reported as part of any other award.				Compliance	Control Activities	§200.306(b)(2)
4. Matching requirements met by in-kind contributions are:				Compliance	Control Activities	§200.306(e)/(j) 30 ILCS 708

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**STATE OF ILLINOIS
OFFICE OF COMPTROLLER**

SECTION INTERNAL CONTROLS

PROCEDURE - PAGE NO.
58 of 85

SUB-SECTION SECTION 2 SUPPLEMENT

EFFECTIVE DATE
September 1, 2021

PROCEDURE INTERNAL CONTROL REVIEW CHECKLIST

REVISION NUMBER
22-002

Objective/Control	Yes	No*	N/A	Green Book Objective	Green Book Component	Additional References
a. fully documented; and				Compliance	Control Activities	§200.306(e)/(j)
b. reported at their fair market value or the prevailing wage rate.				Compliance	Control Activities	§200.306(e)/(j)
5. Income generated through grant funds are:				Compliance	Control Activities	§200.307 30 ILCS 708
a. collected and recorded as required by federal, state and grant guidelines; and				Compliance	Control Activities	§200.307 30 ILCS 708
b. spent on current program costs or deducted from future funding draws.				Compliance	Control Activities	§200.307 30 ILCS 708
6. There are documented up-to-date procedures to ensure that selected items of cost have been reimbursed by the grantor or sub-grantor.				Operations	Control Activities	§200.420 - 475
<i>Agency as a Pass-thru</i>						
1. All sub-recipient budget proposals are reviewed for compliance with terms and conditions specific to the individual grant and Subpart E, Allowable Costs.				Operations	Control Activities	30 ILCS 708
2. Funding used to meet matching requirements:				Operations	Control Activities	30 ILCS 105 & 708
a. is obtained (or budgeted) prior to expending any grants with matching requirements;				Operations	Control Activities	§200.306(e)/(j)
b. is verifiable;				Operations	Control Activities	§200.306(e)/(j)
c. allowable; and				Operations	Control Activities	§200.306(e)/(j)
d. not reported as part of any other award.				Operations	Control Activities	§200.306(e)/(j)
3. Matching requirements met by in-kind contributions are:				Compliance	Control Activities	§200.306(e)/(j) 30 ILCS 105 & 708
a. fully documented; and				Compliance	Control Activities	§200.306(e)/(j)
b. reported at their fair market value or the prevailing wage rate.				Compliance	Control Activities	§200.306(e)/(j)
4. Ensure sub-recipient accounting systems provide for the accumulation and recording of grant expenditures.				Compliance	Information & Communication	§200.400(d) 30 ILCS 708
5. Income generated by a grant award is:				Compliance	Control Activities	§200.307 30 ILCS 708
a. collected and recorded as required by guidelines; and				Compliance	Control Activities	§200.307 30 ILCS 708
b. spent on current program costs or deducted from future funding draws.				Compliance	Control Activities	§200.307 30 ILCS 708
6. Sub-recipients have documented up-to-date procedures:				Operations	Control Activities	30 ILCS 708
a. to independently monitor the progress of all grant programs; and				Operations	Control Activities	§200.307 30 ILCS 708

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**STATE OF ILLINOIS
OFFICE OF COMPTROLLER**

SECTION INTERNAL CONTROLS

PROCEDURE - PAGE NO.
59 of 85

SUB-SECTION SECTION 2 SUPPLEMENT

EFFECTIVE DATE
September 1, 2021

PROCEDURE INTERNAL CONTROL REVIEW CHECKLIST

REVISION NUMBER
22-002

Objective/Control	Yes	No*	N/A	Green Book Objective	Green Book Component	Additional References
b. to ensure that selected items of cost have been reimbursed by the grantor or sub-grantor.				Operations	Control Activities	\$200.307 30 ILCS 708
Objective 4: Allowable costs are necessary, allocable, and reasonable for the performance of the award.						
<i>Agency as a Recipient</i>						
1. Assigned grant personnel review all program expenditures:				Compliance	Control Activities	\$200.401(a) 30 ILCS 708
a. against selected items of cost;				Compliance	Control Activities	\$200.401(a)
b. program-specific requirements; and				Compliance	Control Activities	\$200.401(a)
c. conformance to the approved budget.				Compliance	Control Activities	\$200.401(a)
2. Timekeeping records support the time allocation of all employees working on grant-funded projects.				Compliance	Control Activities	\$200.430(i) 30 ILCS 708
3. The computation and reporting of depreciation and/or use charges is done in accordance with Uniform Guidance.				Compliance	Control Activities	\$200.436
<i>Agency as a Pass-thru</i>						
1. Disbursements are made upon receipt and cost verification of advance/reimbursement requests; requests are approved by assigned personnel.				Compliance	Control Activities	\$200.338 30 ILCS 708
2. Sub-recipients are only reimbursed for allowable costs.				Operations	Control Activities	\$200.403 30 ILCS 708
3. Sub-recipient grant personnel review all program expenditures against selected items of cost and program specific requirements.				Compliance	Control Activities	\$200.401(a) 30 ILCS 708
4. Sub-recipient timekeeping records support the time allocation of all employees working on grant-funded projects.				Compliance	Control Activities	\$200.430(i) 30 ILCS 708
5. Sub-recipients compute and report depreciation and/or use charges in accordance with Uniform Guidance.				Compliance	Control Activities	\$200.436
Objective 5: Award recipients negotiate indirect cost rates or assess cost allocation plans annually.						
<i>Agency as a Recipient</i>						
1. A cost allocation plan or an indirect cost rate has been developed and properly approved by the federal cognizant agency.				Compliance	Control Activities	\$200.414(e)
2. Indirect cost rates are properly applied with the approved base.				Compliance	Control Activities	\$200.414(e) 30 ILCS 708

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**STATE OF ILLINOIS
OFFICE OF COMPTROLLER**

SECTION INTERNAL CONTROLS

PROCEDURE - PAGE NO.
60 of 85

SUB-SECTION SECTION 2 SUPPLEMENT

EFFECTIVE DATE
September 1, 2021

PROCEDURE INTERNAL CONTROL REVIEW CHECKLIST

REVISION NUMBER
22-002

Objective/Control	Yes	No*	N/A	Green Book Objective	Green Book Component	Additional References
3. The treatment of costs as either direct or indirect is consistently applied.				Compliance	Control Activities	§200.412 30 ILCS 708
<i>Agency as a Pass-thru</i>						
1. Up-to-date written policies and procedures to ensure all sub-recipients have made an annual election in the central indirect cost rate system.				Compliance	Control Activities	§200.331(a)(4) 30 ILCS 708
2. The agency has assigned a subject matter expert for indirect cost rate negotiation who provides technical assistance to subrecipients for rate negotiation.				Compliance	Control Activities	§200.331(a)(4) 30 ILCS 708
3. The indirect cost rate subject matter expert approves rates on a timely basis.				Compliance	Control Activities	§200.331(a)(4) 30 ILCS 708
4. Subrecipient invoices are verified to ensure that the elected indirect cost rate has been properly applied.				Compliance	Control Activities	§200.331(a)(4) 30 ILCS 708
Objective 6: Grant-financed property and equipment is properly maintained, safeguarded, and accounted for.						
<i>Agency as a Recipient</i>						
1. All property and equipment acquired under a federal, State, or other source award are managed in accordance with federal, applicable State requirements, or grantor requirements.				Compliance	Control Activities	§200.313(b) 30 ILCS 605 30 ILCS 708
2. All federally-funded property and equipment are inventoried at least biennially, and other grant funded equipment is inventoried at least annually.				Compliance	Control Activities	§200.313 (d)(2) 30 ILCS 605
3. The equipment inventory listing includes all required attributes.				Compliance	Control Activities	§200.313 (d)(1) 30 ILCS 605
<i>Agency as a Pass-thru</i>						
1. The awarding agency monitors property and equipment purchases to ensure they are properly accounted for and used for the stated purpose.				Compliance	Control Activities	§200.313(c)-(e)
2. The awarding agency monitors to ensure all grant-funded property and equipment is inventoried at least biennially, and other grant funded equipment is inventoried at least annually.				Compliance	Control Activities	§200.313 (d)(2) 30 ILCS 605
3. The awarding agency monitors to ensure the equipment inventory listing includes all required attributes.				Compliance	Control Activities	§200.313 (d)(1) 30 ILCS 605

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**STATE OF ILLINOIS
OFFICE OF COMPTROLLER**

SECTION INTERNAL CONTROLS

PROCEDURE - PAGE NO.
61 of 85

SUB-SECTION SECTION 2 SUPPLEMENT

EFFECTIVE DATE
September 1, 2021

PROCEDURE INTERNAL CONTROL REVIEW CHECKLIST

REVISION NUMBER
22-002

Objective/Control	Yes	No*	N/A	Green Book Objective	Green Book Component	Additional References
Objective 7: Procurement procedures comply with accepted standards.						
<i>Agency as a Recipient</i>						
1. The agency follows required policies and procedures for procurements regardless of the funding source.				Compliance	Control Activities	§200.317 & §200.326 30 ILCS 605
Objective 8: Prompt and appropriate grant close-out actions are taken.						
<i>Agency as a Recipient</i>						
1. Up-to-date written procedures outline:				Compliance	Control Activities	§200.343 & §200.345 30 ILCS 708
a. the steps necessary to close out the award; and				Compliance	Control Activities	§200.343 & §200.345
b. the deadlines to submit all reports and refunds due.				Compliance	Control Activities	§200.343 & §200.345
2. Treatment of grant-funded assets adheres to the post closeout requirements given in the grant agreement.				Compliance	Control Activities	§200.313(b) & §200.343(f) 30 ILCS 708
3. Permission is obtained prior to grant close regarding future use of grant-funded equipment.				Compliance	Control Activities	§200.313(c) 30 ILCS 708
<i>Agency as a Pass-thru</i>						
1. Up-to-date written procedures outline:				Compliance	Control Activities	§200.343 30 ILCS 708
a. the steps necessary to close out a State, federal, or federal pass-through award;				Compliance	Control Activities	§200.343
b. the deadlines to submit all reports and refunds due; and				Compliance	Control Activities	§200.343
c. the remedies available to the grantor or sub-grantor for noncompliance and/or non-payment of funds due.				Compliance	Control Activities	30 ILCS 705-6
Objective 9: Financial and compliance audits of recipient and sub-recipient activities are carried out with the frequency required by federal and state law.						
<i>Agency as a Recipient</i>						
1. Up-to-date written procedures outline steps to be taken regarding audit findings.				Compliance	Control Activities	§200.511 30 ILCS 708
2. Assigned personnel track progress and ensure corrective actions are taken.				Operations	Control Activities	
<i>Agency as a Pass-thru</i>						
1. Up-to-date written policies and procedures ensure:				Compliance	Monitoring	§200.504 30 ILCS 708
a. all audit requirements are properly communicated to all grantees;				Compliance	Monitoring	

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**STATE OF ILLINOIS
OFFICE OF COMPTROLLER**

SECTION INTERNAL CONTROLS

PROCEDURE - PAGE NO.
62 of 85

SUB-SECTION SECTION 2 SUPPLEMENT

EFFECTIVE DATE
September 1, 2021

PROCEDURE INTERNAL CONTROL REVIEW CHECKLIST

REVISION NUMBER
22-002

Objective/Control	Yes	No*	N/A	Green Book Objective	Green Book Component	Additional References
b. audit cases are properly created for the agency's grantees;				Compliance	Monitoring	
c. all subject matter experts (SMEs) are properly trained;				Compliance	Monitoring	
d. consolidated year-end financial report (CYEFR) reconciliation is completed on a timely basis;				Compliance	Monitoring	
e. acceptance/rejection of corrective action plan (CAP) is completed on a timely basis;				Compliance	Monitoring	
f. SMEs have been identified for each programmatic area to approve/reject CAPs;				Compliance	Monitoring	
g. the awarding agency monitors audit due dates;				Compliance	Monitoring	
h. Management Decision Letters are issued timely; and				Compliance	Monitoring	§200.511
i. timely utilization of the Grantee Compliance Enforcement System (GCES) or other system as required.				Compliance	Information & Communication	§200.338
Objective 10: Sub-award eligibility requirements clearly define the qualifications necessary to receive federal or State funding.						
<i>Agency as a Monitoring Agency</i>						
1. Subrecipients have written grant management policies which meet or exceed the requirements set out in 2 CFR 200, as adopted by GATA.				Compliance	Control Activities	30 ILCS 708
2. Subrecipient entities maintain sound organizational, budgetary, and accounting systems that are periodically reviewed and evaluated.				Compliance	Monitoring	§200.400(a) 30 ILCS 708
3. Subrecipients use their own up-to-date documented procurement procedures which conform to applicable federal law and the applicable State regulations.				Compliance	Control Activities	§200.318-320 30 ILCS 708
4. Subrecipients properly maintain, safeguard, and account for grant funded property and equipment.				Compliance	Control Activities	§200.313(c)-(e) 30 ILCS 605
5. Subrecipient organizations are subject to periodic and timely audits.				Compliance	Monitoring	§200.331(a)(5) & §200.504 30 ILCS 708
6. Subrecipients have established up-to-date procedures to collect, account for, and use program income.				Operations	Control Activities	
7. Subrecipients are registered and active in the GATA Grantee Portal.				Compliance	Control Environment	30 ILCS 708
8. Subrecipients have completed all required reporting in the Grantee Portal, including:				Compliance	Control Activities	30 ILCS 708

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**STATE OF ILLINOIS
OFFICE OF COMPTROLLER**

SECTION INTERNAL CONTROLS

PROCEDURE - PAGE NO.
63 of 85

SUB-SECTION SECTION 2 SUPPLEMENT

EFFECTIVE DATE
September 1, 2021

PROCEDURE INTERNAL CONTROL REVIEW CHECKLIST

REVISION NUMBER
22-002

Objective/Control	Yes	No*	N/A	Green Book Objective	Green Book Component	Additional References
a. registration;				Compliance	Control Activities	30 ILCS 708
b. pre-qualification;				Compliance	Control Activities	30 ILCS 708
c. internal control questionnaire (ICQ);				Compliance	Control Activities	30 ILCS 708
d. indirect cost rate election; and				Compliance	Control Activities	30 ILCS 708
e. audit report review management system.				Compliance	Control Activities	30 ILCS 708
9. The agency has assigned SMEs for the following areas:				Compliance	Control Activities	30 ILCS 708
a. registration/pre-qualification;				Compliance	Control Activities	30 ILCS 708
b. ICQ;				Compliance	Control Activities	30 ILCS 708
c. indirect cost; and				Compliance	Control Activities	30 ILCS 708
d. audit report review.				Compliance	Control Activities	30 ILCS 708
10. Subrecipients can support all funding requests with actual expense documentation.				Operations	Control Activities	30 ILCS 708
Objective 11: Awarding entities administer their awards in compliance with GATA requirements.						
<i>Agency as an Awarding Agency</i>						
1. The Catalog of State Financial Assistance (CSFA) includes:				Compliance	Control Activities	30 ILCS 708
a. all direct federally-funded programs;				Compliance	Control Activities	30 ILCS 708
b. all State grant programs;				Compliance	Control Activities	30 ILCS 708
c. all subawards for State grant programs;				Compliance	Control Activities	§200.305(b)(3)
d. all subawards for federal pass-through programs; and				Compliance	Control Activities	§200.305(b)(3)
e. all approved exceptions are identified.				Compliance	Control Activities	§200.305(b)(3)
2. Up-to-date written policies and procedures exist to ensure the CSFA universe is complete.				Compliance	Control Activities	30 ILCS 708
3. A reconciliation methodology is in place to ensure the CSFA universe is complete.				Compliance	Control Activities	30 ILCS 708

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**STATE OF ILLINOIS
OFFICE OF COMPTROLLER**

SECTION INTERNAL CONTROLS

PROCEDURE - PAGE NO.
65 of 85

SUB-SECTION SECTION 2 SUPPLEMENT

EFFECTIVE DATE
September 1, 2021

PROCEDURE INTERNAL CONTROL REVIEW CHECKLIST

REVISION NUMBER
22-002

11. INFORMATION TECHNOLOGY

FCIAA Reference: 30 ILCS 10/Article 3

A. Administration - Objectives/Controls	Yes	No*	N/A	COBIT 5	NIST Rev. 5	Green Book Objective	Green Book Component
Objective 1: Ensure the agency establishes effective Information Technology (IT) governance over its information technology and data.							
1. Adequate up-to-date information technology policies and procedures exist, including, but not limited to, the following:				AP001.03	800-53 - AC-1; PL-1	Operations	Control Activities
a. information system security policy;				AP001.03	800-53 - PL-2	Operations	Control Activities
b. backups, restore, and retention;				AP001.03	800-53 - CP-9; CP-10	Operations	Control Activities
c. software copyright laws;				AP001.03	800-53 - CM-10	Operations	Control Activities
d. user access;				AP001.03	800-53 - AC-2	Operations	Control Activities
e. access control for mobile devices;				AP001.03	800-53 - AC-19	Operations	Control Activities
f. network security;				AP001.03	800-53 - SI-1	Operations	Control Activities
g. internet security;				AP001.03	800-53 - SI-1	Operations	Control Activities
h. virus prevention;				AP001.03	800-53 - SI-3; AC-19	Operations	Control Activities
i. encryption;				AP001.03	800-53 - SC-8	Operations	Control Activities
j. security and control of confidential information;				AP003.02	800-53 - SC-8	Operations	Control Activities
k. laptop security;				AP001.03	800-53 - PE-1	Operations	Control Activities
l. Bring Your Own Device (BYOD);				AP001.03	800-53 - AC-20	Operations	Control Activities
m. wireless access;				AP001.03	800-53 - AC-18	Operations	Control Activities
n. remote access;				AP001.03	800-53 - AC-17	Operations	Control Activities
o. if applicable, a work from home policy; and				AP001.03	800-53-AC-17	Operations	Control Activities
p. formal computer-use policy.				AP001.03	800-53 - PL-2; PL-4	Operations	Control Activities
2. The agency has established IT roles and responsibilities.				AP001.02	800-53 - PS-1	Operations	Control Environment

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**STATE OF ILLINOIS
OFFICE OF COMPTROLLER**

SECTION INTERNAL CONTROLS

PROCEDURE - PAGE NO.
66 of 85

SUB-SECTION SECTION 2 SUPPLEMENT

EFFECTIVE DATE
September 1, 2021

PROCEDURE INTERNAL CONTROL REVIEW CHECKLIST

REVISION NUMBER
22-002

A. Administration - Objectives/Controls	Yes	No*	N/A	COBIT 5	NIST Rev. 5	Green Book Objective	Green Book Component
3. IT staffing is at adequate levels.				AP007.01	800-53 - PS-1	Operations	Control Environment
4. Job descriptions are documented and maintained.				AP007.02	800-53 - PS-1	Operations	Control Environment
5. All IT employees are adequately supervised.				AP001.02	800-53 - PS-1	Operations	Control Activities
6. IT employees are independent of user departments and do not initiate or authorize transactions unless instructed to do so by a user department.				DSS06.02	800-53 - PS-1; AC-5	Operations	Control Activities
7. Sensitive applications are limited to specific IT personnel whose work is more closely monitored or are periodically rotated among various IT personnel.				BAI03.01-03; BAI03.05	800-53 - IA-2	Operations	Monitoring
8. Segregation of duties exists between end user support, application programming, systems administration, database administrators, network, and database/backup personnel.				AP001.02	800-53 - AC-5; CM-5	Operations	Control Activities
9. Senior leadership is aware/approves new systems and/or modifications of current systems.				AP001.01	800-53 - CM-3	Operations	Information and Communication
10. A long-range IT plan has been developed, is in effect, and is updated on a regular basis.				AP002.03-05; AP004.03-05	800-53 - CA-5	Operations	Control Activities
11. An effective internal audit presence is active within the IT department.				BAI04.04	800-53 - AU-6	Operations	Control Environment
12. If third party service providers are used to process transactions or store data, a written agreement (terms of service) exists to define responsibilities and informational security requirements.				MEA02.01; DSS06.02	800-53 - SA-9	Operations	Control Activities
13. The agency has a process in place to obtain and review the SOC report and bridge letter for weaknesses on a regular basis, including, but not limited to, a review of the:				MEA02.01	800-53 - MA-1; SA-4	Operations	Monitoring
a. report's opinion;				MEA02.01	800-53 - MA-1	Operations	Control Activities
b. exceptions, if any, in the report;				MEA02.01	800-53 - MA-1	Operations	Control Activities
c. complementary user agency controls and whether the agency has these controls in place and if the controls are operating effectively; and,				MEA02.01	800-53 - MA-1	Operations	Control Activities

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**STATE OF ILLINOIS
OFFICE OF COMPTROLLER**

SECTION INTERNAL CONTROLS

PROCEDURE - PAGE NO.
67 of 85

SUB-SECTION SECTION 2 SUPPLEMENT

EFFECTIVE DATE
September 1, 2021

PROCEDURE INTERNAL CONTROL REVIEW CHECKLIST

REVISION NUMBER
22-002

A. Administration - Objectives/Controls	Yes	No*	N/A	COBIT 5	NIST Rev. 5	Green Book Objective	Green Book Component
d. sub-user complementary user agency controls and whether the agency has these controls in place and if the controls are operating effectively.				MEA02.01	800-53 - MA-1	Operations	Control Activities
14. If the agency has enough sensitive/confidential data to warrant a risk assessment and it has been performed, a risk mitigation plan has been established.				EDM03.01; AP012.02	800-53 - RA-3	Operations	Risk Assessment
15. All confidential and sensitive data are protected.				DSS06.06	800-50 - PT-7	Operations	Control Activities
16. If the agency accepts credit card payments, the agency is aware of the Payment Card industry (PCI) Data Security Requirements.				AP006.01 DSS01.02	800-53 - PS-7; SA-9	Operations	Control Activities
a. The agency has completed appropriate PCI DSS Self-Assessment Questionnaires (SAQs).				DSS01.02	800-53 - PS-7; SA-9	Operations	Monitoring
b. The agency is in compliance with PCI requirements.				DSS01.02	800-53 - PS-7; SA-9	Operations	Monitoring
c. The agency has a way to track the dollar amount and number of transactions processed.				AP001.02	800-53 - SI-12	Operations	Control Activities
d. If any of the agency's resources are in contact with or utilized to store, process, or transmit cardholder data, the agency has a detailed written description of the process, including data flows and storage.				DSS01.02; APO09.05	800-53 - SI-12	Operations	Control Activities
17. If the agency relies on third-party servicers including the Treasurer's E-pay program for accepting credit card payments, written agreements are maintained and servicer compliance with Payment Card Industry (PCI) Data Security Requirements has been verified.				AP006.01; DSS01.02	800-53 - SA-9	Operations	Control Activities
18. The agency has established a formal Security Awareness training program for new and existing employees.				AP013.02	SP 800-53 - AT-1; AT-2	Operations	Control Environment

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**STATE OF ILLINOIS
OFFICE OF COMPTROLLER**

SECTION INTERNAL CONTROLS

PROCEDURE - PAGE NO.
68 of 85

SUB-SECTION SECTION 2 SUPPLEMENT

EFFECTIVE DATE
September 1, 2021

PROCEDURE INTERNAL CONTROL REVIEW CHECKLIST

REVISION NUMBER
22-002

B. Operations - Objective/Control	Yes	No*	N/A	COBIT 5	NIST Rev. 5	Green Book Objective	Green Book Component
Objective 2: Ensure proper controls exist to protect the agency from data loss.							
1. The agency has developed a process to document, analyze, and resolve computer operating and network problems.				DSS03.04; MEA02.04	800-53 - MA-1	Operations	Control Activities
2. Procedures are in place to monitor application software, operating system software, and data files to ensure they are backed up on a routine basis.				DSS04.08; BIA03.02	800-53 - CP-1; CP-9	Operations	Control Activities
3. If the backups are performed by a hosting agency, there is a procedure or communication between the hosting agency and the agency for the verification and testing of backups being performed.				DSS01.02 DSS04.07	800-53 - CP-9; SA-9	Operations	Information and communication
4. The agency has a process to verify backups are being performed and in proper working condition.				DSS04.07	800-53 - CP-1; CP-9	Operations	Monitoring
5. The agency has a process to verify backups containing sensitive information are encrypted.				APO07.06; DSS04.07	800-53 - CP-9; PT-7	Operations	Monitoring
6. The agency has developed a formal contingency plan or disaster recovery plan.				DSS04.03	800-53 - CP-2	Operations	Control Activities
a. The contingency plan or disaster recovery plan includes recovery of all the agency's critical applications and systems, including detailed recovery scripts.				DSS04.03	800-53 - CP-2	Operations	Control Activities
b. The contingency plan or disaster recovery plan has been tested within the past 12 months. If unsuccessful, the issues were resolved in a timely manner.				DSS04.06; DSS04.05	800-53 - CP-4	Operations	Monitoring
c. The agency has established a process to update the IT contingency or disaster recovery plan after each test or, at least, annually.				DSS04.05	800-53 - CP-2	Operations	Control Activities
7. If the agency is a user of DoIT, an interagency agreement adequately addresses the user agency's prescribed requirements and available security mechanisms to protect the security, processing integrity, availability, and confidentiality of its systems and data.				AP009.04	800-53 - SA-9	Operations	Control Activities

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**STATE OF ILLINOIS
OFFICE OF COMPTROLLER**

SECTION INTERNAL CONTROLS

PROCEDURE - PAGE NO.
69 of 85

SUB-SECTION SECTION 2 SUPPLEMENT

EFFECTIVE DATE
September 1, 2021

PROCEDURE INTERNAL CONTROL REVIEW CHECKLIST

REVISION NUMBER
22-002

B. Operations - Objective/Control	Yes	No*	N/A	COBIT 5	NIST Rev. 5	Green Book Objective	Green Book Component
a. The agency has a procedure in place to review and monitor the services provided via the interagency agreement.				AP009.05	800-53 - SI-4; SA-9	Operations	Monitoring
b. The agency has submitted a list of critical applications to DoIT.				DSS01.03	800-53 - CM-8	Operations	Control Activities

C. Security - Objective/Control	Yes	No*	N/A	COBIT 5	NIST Rev. 5	Green Book Objective	Green Book Component
Objective 3: Ensure controls exist to safeguard the confidentiality, integrity, and unauthorized access of the data.							
1. If the agency has any applications/systems with confidential or sensitive information, the agency has requested a vulnerability scan (or other security test) to identify significant vulnerabilities.				DSS05.01	800-53 - RA-5	Operations	Monitoring
2. Management has evaluated and mitigated high-risk security vulnerabilities identified as a result of a vulnerability scan (or other security test).				AP013.02	800-53 - PL-1; RA-3	Operations	Risk Assessment
3. Control activities are in place to protect the confidentiality of transactions and data at rest, in transit, and in use.				DSS05.06	800-53 - AC-4; SC-8	Operations	Control Activities
4. Management has procedures to evaluate transactions for completeness, accuracy, and validity.				DSS06.02	800-53 - SI-10	Operations	Control Activities
5. Procedures exist to review computer access rights on, at least, an annual basis.				DSS05.04	800-53 - AC-1	Operations	Monitoring
6. Procedures exist to ensure staff access is restricted to areas necessary for job performance and require monitoring to detect unauthorized access.				DSS05.05	800-53 - PE-3; PE-6	Operations	Control Activities
7. Users are granted access only to programs and data necessary to perform their job functions.				DSS05.04	800-53 AC-3; AC-6	Operations	Control Activities
8. If the agency has a data center, adequate security and alarm devices are used including temperature, humidity, fire detection and suppression controls, cardkey readers, and physical key door locks are in place and operating effectively. Preparers of this checklist should consider performing a physical security risk assessment.				DSS01.04	800-53 PE-1	Operations	Control Activities

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**STATE OF ILLINOIS
OFFICE OF COMPTROLLER**

SECTION INTERNAL CONTROLS

PROCEDURE - PAGE NO.
70 of 85

SUB-SECTION SECTION 2 SUPPLEMENT

EFFECTIVE DATE
September 1, 2021

PROCEDURE INTERNAL CONTROL REVIEW CHECKLIST

REVISION NUMBER
22-002

C. Security - Objective/Control	Yes	No*	N/A	COBIT 5	NIST Rev. 5	Green Book Objective	Green Book Component
9. Each user of the network is required to have a unique User ID that is not shared with others.				DSS05.04	800-53 - AC-2; IA-2	Operations	Control Activities
10. Passwords or passphrases are required to gain access to the network.				DSS05.04	800-53 - AC-1	Operations	Control Activities
11. The agency has established a password and/or passphrase policy which includes at a minimum:				DSS05.04	800-53 - AC-1; IA-5	Operations	Control Activities
a. a password minimum length of 8 characters or more;				DSS05.04	800-53 - IA-5	Operations	Control Activities
b. passwords to have special characters;				DSS05.04	800-53 - IA-5	Operations	Control Activities
c. a password change interval is 60 days or less;				DSS05.04	800-53 - IA-5	Operations	Control Activities
d. a history of passwords and passphrases maintained to prevent re-use;				DSS05.04	800-53 - IA-5	Operations	Control Activities
e. a passphrase minimum length of at least 25 characters, if applicable;				DSS05.04	800-53 - IA-5	Operations	Control Activities
f. passphrases are changed on an annual basis, upon user request or upon a suggestion or evidence of compromise, if applicable; and				DSS05.04	800-53 - IA-5	Operations	Control Activities
g. limits on incorrect access attempts.				DSS05.04	800-53 - AC-7	Operations	Control Activities
12. Computers are logged-off or screensavers activated after a defined period of inactivity.				DSS05.03; DSS05.04	800-53 - AC-12	Operations	Control Activities
13. The agency has established and implemented an up-to-date incident reporting procedure.				DSS05.07	800-53 - IR-6	Operations	Control Activities
14. The agency has established and implemented an up-to-date incident response plan.				AP012.06	800-53 - IR-8	Operations	Control Activities
15. Software and backup media is secured appropriately and protected against damage such as exposure to excessive cold or heat.				DSS04.07	800-53 - MP-4; SI-12	Operations	Control Activities
16. If not a DoIT agency, all desktop and laptop computers are recorded in the agency's inventory records and has a tag or other marking. If a DoIT agency, all desktop and laptop computers are recorded in DoIT's inventory records and has a tag or other marking.				AP012.05; DSS05.03	800-53 CM-8	Operations	Control Activities
17. Nonpublic IT equipment is secured, and unauthorized use is minimized.				AP013.02; DSS05.03	800-53 - PE-2; PE-3	Operations	Control Activities

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**STATE OF ILLINOIS
OFFICE OF COMPTROLLER**

SECTION INTERNAL CONTROLS

PROCEDURE - PAGE NO.
71 of 85

SUB-SECTION SECTION 2 SUPPLEMENT

EFFECTIVE DATE
September 1, 2021

PROCEDURE INTERNAL CONTROL REVIEW CHECKLIST

REVISION NUMBER
22-002

C. Security - Objective/Control	Yes	No*	N/A	COBIT 5	NIST Rev. 5	Green Book Objective	Green Book Component
18. Public IT equipment is secured, and unauthorized use is minimized.				DSS05.03	800-53 - PE-2; PE-3	Operations	Control Activities
19. Files needed for future reference are adequately secured in compliance with the applicable record retention policy.				DSS06.05	800-53 - MP-4; SI-12	Operations	Control Activities
20. Logging has been established to ensure data integrity for applications allowing concurrent changes from multiple users and these logs are monitored on a routine basis.				DSS05.02	800-53 SC-1	Operations	Control Activities

D. Systems and Programming - Objective/Control	Yes	No*	N/A	COBIT 5	NIST Rev. 5	Green Book Objective	Green Book Component
Objective 4: Ensure new system development and any changes to the systems are performed in an adequate, effective, and efficient manner.							
1. Systems and programming development standards have been established and are reviewed periodically.				AP001.03; AP001.08	800-53 - SA-3	Operations	Control Activities
2. A structured systems development methodology is used.				BAI01.01	800-53 - SA-3	Operations	Control Activities
3. If a structured systems development methodology/system change methodology is used, the methodology includes the following:							
a. business owner/user request procedure;				BAI03.03	800-53 - SA-1; SA-3	Operations	Control Activities
b. user participation;				BAI03.03	800-53 - SA-1; SA-3	Operations	Control Activities
c. documentation standards;				BAI03.03	800-53 - SA-1; SA-3	Operations	Control Activities
d. testing requirements;				BAI03.03	800-53 - SA-1; SA-3	Operations	Control Activities
e. management/user approvals;				BAI03.03	800-53 - SA-1; SA-3	Operations	Control Activities
f. project management techniques are used;				BAI03.03	800-53 - SA-1; SA-3	Operations	Control Activities
g. reason for change;				BAI03.10	800-53 - SA-10	Operations	Control Activities
h. key performance indicators; and				BAI03.11	800-53 - PM-6	Operations	Control Activities
i. post-implementation feedback.				BIA07.08	800-53 - SI-12; SA-2	Operations	Control Activities

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**STATE OF ILLINOIS
OFFICE OF COMPTROLLER**

SECTION INTERNAL CONTROLS

PROCEDURE - PAGE NO.
72 of 85

SUB-SECTION SECTION 2 SUPPLEMENT

EFFECTIVE DATE
September 1, 2021

PROCEDURE INTERNAL CONTROL REVIEW CHECKLIST

REVISION NUMBER
22-002

D. Systems and Programming - Objective/Control	Yes	No*	N/A	COBIT 5	NIST Rev. 5	Green Book Objective	Green Book Component
4. Adequate and up-to-date security and control procedures exist over the documentation control area.				BAI03.01; BAI03.05	800-53 - SA-4	Operations	Control Activities
5. Users participate in testing new applications and major modifications to existing applications.				BAI06.01; BAI03.08	800-53 - SA-4	Operations	Control Activities
6. Changes are approved and tracked by IT personnel and user management.				BAI06.01; BAI06.03	800-53 - CM-3	Operations	Control Activities
7. Emergency change procedures have been established and utilized; emergency changes are communicated to the proper management level and formally reviewed by the next business day.				BAI06.02	800-53 - CM-3	Operations	Control Activities
8. A programmatic or IT professional is assigned to ensure post-implementation feedback with changes/problems have been addressed.				BIA07.08	800-53 - SI-12; SA-2	Operations	Control Activities
9. Up-to-date procedures exist to ensure that only properly authorized programs are placed into production status.				BIA07.06	800-53 - SA10	Operations	Control Activities
10. The source code library is periodically purged of unnecessary applications with appropriate permanent records according to applicable record retention guidelines.				DSS06.02	800-53 - SA-11	Operations	Control Activities
11. Standards for guidelines/content of user documentation/training exist and are up-to-date and implemented.				AP001.03; AP001.08	800-53 - SA-5	Operations	Control Activities
12. Systems are designed so that back-up and recovery generation is always possible.				DSS03.02	800-53 - CP-9; CP-10	Operations	Control Activities
13. Internal Audit performs a preimplementation review of the design of major new and major modifications to existing computer systems, including to ensure the system has adequate audit trails and accountability.				BAI04.04	800-53 - AU-6	Operations	Monitoring
14. For significant applications/systems, there are environments established to promote programming code adequately with proper segregation of duties.				BAI07.04; APO01.02	800-53 - AC-2; AC-5; MA-1	Operations	Control Environment

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**STATE OF ILLINOIS
OFFICE OF COMPTROLLER**

SECTION INTERNAL CONTROLS

PROCEDURE - PAGE NO.
73 of 85

SUB-SECTION SECTION 2 SUPPLEMENT

EFFECTIVE DATE
September 1, 2021

PROCEDURE INTERNAL CONTROL REVIEW CHECKLIST

REVISION NUMBER
22-002

E. Specific Application - Objective/Control	Yes	No*	N/A	COBIT 5	NIST Rev. 5	Green Book Objective	Green Book Component
Objective 5: Ensure proper controls exist to monitor, evaluate, and assess current systems.							
Application platform (languages used, hardware, LAN/WEB/mainframe/ Cloud/etc..)							
Description of application							
1. As part of the general controls review, the organization should select at least one major application and determine whether the following controls are present. The major application chosen should be over financial reporting process if material to the state, or an application which is involved in a critical function of the agency. If the agency is larger consider doing this review for multiple applications.							
a. The system has controls to ensure that only properly authorized and approved input is accepted for processing by IT.				DSS06.02; DSS06.03; BAI03.02	800-53 - SI-10	Operations	Information and Communication
b. The system has controls to verify the accuracy of significant input data prior to data entry.				DSS06.02	800-53 - SI-10	Operations	Control Activities
c. The agency has established logical controls to prevent unauthorized access, modification, or destruction of application data.				DSS06.03; DSS05.05	800-53 - AC-1; SI-1	Operations	Control Activities
d. Limit and reasonable checks have been incorporated into application programs.				DSS06.02	800-53 - SI-10	Operations	Control Activities
e. The agency has established up-to-date procedures to ensure data is processed as required and in an acceptable time frame.				DSS06.02	800-53 - SI-10	Operations	Control Activities
f. Formal documented procedures exist to ensure the data being stored is accurate and complete.				DSS06.02	800-53 - SI-12	Operations	Control Activities
g. Output is scanned to determine that obvious problems did not occur during processing.				DSS06.02	800-53 - SI-15	Operations	Monitoring
h. Formal procedures exist to ensure the accuracy and completeness of outputs.				DSS06.02	800-53 - SI-15	Operations	Monitoring

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**STATE OF ILLINOIS
OFFICE OF COMPTROLLER**

SECTION INTERNAL CONTROLS

PROCEDURE - PAGE NO.
74 of 85

SUB-SECTION SECTION 2 SUPPLEMENT

EFFECTIVE DATE
September 1, 2021

PROCEDURE INTERNAL CONTROL REVIEW CHECKLIST

REVISION NUMBER
22-002

E. Specific Application - Objective/Control	Yes	No*	N/A	COBIT 5	NIST Rev. 5	Green Book Objective	Green Book Component
i. Procedures have been established to ensure outputs are distributed only to authorized users.				DSS06.02	800-53 - AC-6; SI-15	Operations	Control Activities
j. An audit trail has been established and maintained for transactions being processed.				DSS06.05	800-53 - AU-6	Operations	Control Activities
k. All interfaces with other systems or applications are identified and documented.				DSS01.03	800-53 - CA-9	Operations	Control Activities
l. All interfaces with confidential information are adequately secured and protected from unauthorized manipulation.				AP001.03; DSS05.04	800-53 - SC-8; SI-12	Operations	Control Activities
m. Adequate written documentation is maintained to familiarize new users with existing and/or new applications.				BAI05.07	800-53 - SA-5	Operations	Control Activities
Controls applicable to the hosting environment, commercial off the shelf (COTS), and outsourcing.							
1. Business rules align with Federal and state law.				BAI02.01	800-53 - AC-20; CM-1	Operations	Control Activities
2. Business rules are equal to what was developed; rules were reviewed and carried out.				BAI02.01	800-53 - CM-1	Operations	Control Activities
3. System and Organization Control (SOC) reports are obtained and reviewed, if applicable.				MEA03.04	800-53 - PL-10	Operations	Control Activities
4. Each program's development methodology is in alignment with state standards or with those that exceed them.				BAI01-01	800-53 - SA-3; SA-8	Operations	Control Activities
5. Converted data was reconciled and verified.				BAI07.02	800-53 - AC-4	Operations	Control Activities

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

**STATE OF ILLINOIS
OFFICE OF COMPTROLLER**

SECTION INTERNAL CONTROLS

PROCEDURE - PAGE NO.
75 of 85

SUB-SECTION SECTION 2 SUPPLEMENT

EFFECTIVE DATE
September 1, 2021

PROCEDURE INTERNAL CONTROL REVIEW CHECKLIST

REVISION NUMBER
22-002

F. Remote Work - Objective/Control	Yes	No*	N/A	COBIT 5	NIST Rev. 5	Green Book Objective	Green Book Component
Objective 6: Determine the agency has sufficient software security protocol, physical security protocol, and behavioral security protocol for the remote workforce.							
1. If a work from home policy has been created, ensure the policy complies with industry standards, including position, employee availability, employee responsiveness, productivity measurements, equipment, technical support, physical and electronic security, and data confidentiality.				AP001.03; DSS05.03	800-53 – AC-17	Operations	Control Activity
2. Proper encryption is in place, including a locking feature to prevent downloading of information to personal electronic devices.				AP001.03; DSS05.03	800-53 – AC-17	Operations	Control Activity
3. The agency keeps an inventory of equipment being used by employees working remotely as well as those who have access to personally identifiable information.				DSS05.06; DSS06.02	800-53 - AC-17; CM-8	Operations	Control Activity
4. The agency emphasized to employees to log in through its network and avoid the downloading of documents to the employee's personal computer.				AP0013.02	800-53 - AT-1; AT-2; PL-1	Operations	Control Activity

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

**STATE OF ILLINOIS
OFFICE OF COMPTROLLER**

SECTION	INTERNAL CONTROLS	PROCEDURE - PAGE NO. 77 of 85
SUB-SECTION	SECTION 2 SUPPLEMENT	EFFECTIVE DATE September 1, 2021
PROCEDURE	INTERNAL CONTROL REVIEW CHECKLIST	REVISION NUMBER 22-002

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 SAMS Manual procedure 02.50.40, "Evaluation of Internal Controls - Segmenting the Agency" beginning on page 9 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 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

**STATE OF ILLINOIS
OFFICE OF COMPTROLLER**

SECTION	INTERNAL CONTROLS	PROCEDURE - PAGE NO. 78 of 85
SUB-SECTION	SECTION 2 SUPPLEMENT	EFFECTIVE DATE September 1, 2021
PROCEDURE	INTERNAL CONTROL REVIEW CHECKLIST	REVISION NUMBER 22-002

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 workplace 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 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.

**STATE OF ILLINOIS
OFFICE OF COMPTROLLER**

SECTION	INTERNAL CONTROLS	PROCEDURE - PAGE NO. 79 of 85
SUB-SECTION	SECTION 2 SUPPLEMENT	EFFECTIVE DATE September 1, 2021
PROCEDURE	INTERNAL CONTROL REVIEW CHECKLIST	REVISION NUMBER 22-002

- 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.
- Information Technology (IT) Considerations - When utilized, IT systems can greatly enhance an overall internal control system. Having IT 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
- 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.

STATE OF ILLINOIS
OFFICE OF COMPTROLLER

SECTION	INTERNAL CONTROLS	PROCEDURE - PAGE NO. 80 of 85
SUB-SECTION	SECTION 2 SUPPLEMENT	EFFECTIVE DATE September 1, 2021
PROCEDURE	INTERNAL CONTROL REVIEW CHECKLIST	REVISION NUMBER 22-002

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
 - 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.

STATE OF ILLINOIS
OFFICE OF COMPTROLLER

SECTION	INTERNAL CONTROLS	PROCEDURE - PAGE NO. 81 of 85
SUB-SECTION	SECTION 2 SUPPLEMENT	EFFECTIVE DATE September 1, 2021
PROCEDURE	INTERNAL CONTROL REVIEW CHECKLIST	REVISION NUMBER 22-002

- 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:
 - 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

**STATE OF ILLINOIS
OFFICE OF COMPTROLLER**

SECTION	INTERNAL CONTROLS	PROCEDURE - PAGE NO. 82 of 85
SUB-SECTION	SECTION 2 SUPPLEMENT	EFFECTIVE DATE September 1, 2021
PROCEDURE	INTERNAL CONTROL REVIEW CHECKLIST	REVISION NUMBER 22-002

- 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:
 - 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

**STATE OF ILLINOIS
OFFICE OF COMPTROLLER**

SECTION	INTERNAL CONTROLS	PROCEDURE - PAGE NO. 83 of 85
SUB-SECTION	SECTION 2 SUPPLEMENT	EFFECTIVE DATE September 1, 2021
PROCEDURE	INTERNAL CONTROL REVIEW CHECKLIST	REVISION NUMBER 22-002

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.

- 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.

**STATE OF ILLINOIS
OFFICE OF COMPTROLLER**

SECTION	INTERNAL CONTROLS	PROCEDURE - PAGE NO. 84 of 85
SUB-SECTION	SECTION 2 SUPPLEMENT	EFFECTIVE DATE September 1, 2021
PROCEDURE	INTERNAL CONTROL REVIEW CHECKLIST	REVISION NUMBER 22-002

- 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.

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 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

**STATE OF ILLINOIS
OFFICE OF COMPTROLLER**

SECTION INTERNAL CONTROLS

PROCEDURE - PAGE NO.
85 of 85

SUB-SECTION SECTION 2 SUPPLEMENT

EFFECTIVE DATE
September 1, 2021

PROCEDURE INTERNAL CONTROL REVIEW CHECKLIST

REVISION NUMBER
22-002

forwarded to the Comptroller's Office for payment. Examples of subsequent actions which were mentioned earlier are repeated here as a reminder:

- 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.

