Sample Internal Control Assessment Questions

County Finance Department

***Summary: The following assessment questions are divided into three parts to address the changes in T.C.A. 9-18-102(a): (I) Whether obligations and costs of the operation are in compliance with applicable law; (II) Whether county funds, property and other assets that are designated/assigned to the finance office are safeguarded against waste, loss, unauthorized use or misappropriation, and (III) Whether revenues and expenditures in the finance department’s office and county general fund are properly recorded and accounted for to permit the preparation of accurate and reliable financial and statistical reports and to maintain accountability over the assets.***

1. Whether obligations and costs of the operation are in compliance with applicable laws

Budget adoption:

* 1. Does the county have an adopted policy to set forth the budget process?
	2. Does the county have any additional guidelines to assist in the budget adoption process?
	3. Who must approve the original budget?
	4. What type of software is used in the finance department?
	5. Is the original budget posted to the software? Who posts it?
	6. Who reviews the budget to ensure accurate posting of the original budget?

Budget amendments:

* 1. Who coordinates with the various county departments and the county finance committee to monitor the adopted budget through the year to ensure that any amendments are made promptly and before an overage occurs?

Purchasing:

* 1. Has the county adopted a policy for purchasing?
	2. Which purchases are excluded from having a requisition approved by the county finance office?
	3. Who receives the requisitions in county finance from the other departments to verify available funding in the budget?
	4. Who issues the purchase order once the funding is verified?
	5. Who enters the purchase order into the accounting software?
	6. How does the finance department ensure the ordered goods were received?
	7. What happens to the purchase order after this step if the goods were received?
	8. Who prepares the checks for payments?
	9. Does the office negotiate early discount payments? If so, who does this?
	10. When will the vendor receive payment (net 30 days if no discount)?

Store cards:

* 1. What store cards (e.g. Walmart, Lowe’s) are maintained in the finance department?
	2. How are they secured?
	3. What process is used for other departments to utilize the cards?
	4. Are blanket purchase orders utilized for some store card purchase orders?

Credit card:

* 1. Does the county have an adopted credit card policy?
	2. How many cards does the finance office have?
	3. How are they secured?
	4. For what type of purchases are these used?
	5. What process is used for other departments to utilize the credit cards?
	6. Who is responsible for signing off on the credit card invoices for all purchases made in each department?

Contracts:

* 1. Who signs all county contracts dealing with purchasing?
	2. Over what amount must contracts be competitively bid? Are quotes solicited for contracts below competitive bid amounts?
	3. How are contracts over 12 months approved?
	4. Who coordinates with the individual county departments to ensure contract compliance from the vendors?
	5. All grant contracts must be approved by whom? And who must sign them?

Emergency Purchases:

* 1. If the county has an emergency purchases policy, who enforces the policy?
	2. Who signs the emergency purchase justification form?

Payroll:

* 1. How is payroll authorized each fiscal year?
	2. Does the finance director assist the county officials with completing their letters of agreement if requested?
	3. Who monitors all county payroll line items during the fiscal year to ensure payroll costs do not exceed county commission approved amounts without a budget amendment first being approved?

Employee Benefits:

* 1. Does the county participate in TCRS for full-time employees?
	2. Are any employees allowed to maintain health insurance after they retire? Which ones?
	3. Who monitors the OPEB and pension obligations for the county along with a contracted actuary?
	4. Who is responsible for ensuring compliance with the county personnel policies so that only eligible county employees/retirees receive OPEB and pension benefits?
	5. Who reviews the status of the county employees and retirees to check for eligibility status for these benefits? How often?

Vacation and leave obligations:

* 1. Who coordinates with county payroll clerks and various county departments and offices to ensure that all vacation/sick/compensatory time that is accrued is accounted for accurately and is in compliance with county personnel policies and within legal limits (comp time)?

Debt issuance and management:

* 1. Who coordinates with the financial adviser (bonds) and financial institutions (capital outlay notes) to ensure that the county is in compliance with the adopted county debt management policy and state law?
	2. Who is responsible for an annual review of the county debt management policy?
	3. Who reviews all leases for equipment (copiers, office equipment) to guard against the county entering into a capital lease by accident?
1. Whether county funds, property and other assets are safeguarded against waste, loss, unauthorized use or misappropriation

Control Environment:

* 1. Do all finance department employees have written job descriptions?
	2. Are criminal background checks performed prior to employment?
	3. How does the director set the tone for the office?
	4. How does the director communicate what is expected of the finance department personnel?

Physical security of the office:

* 1. Who has a key to the finance office?
	2. Who has a key to the main door of the courthouse?
	3. How often are the locks changed?
	4. Is the office secured with cameras?
	5. Is there a vault in the office?
	6. When is it locked?
	7. Who has access to the vault?

Receipting:

* 1. Who is assigned to open mail, stamp checks “For Deposit Only #account number” immediately upon receipt?
	2. Are all individuals that are authorized to receipt and/or have access to county funds covered by the county blanket liability bond/insurance? This would include interns, temporary and seasonal employees, part time workers from a human resource agency.
	3. Whose bank account number is on the stamp?
	4. Who is responsible for issuing receipts for the mail-in checks in a pre-printed receipt book?
	5. How are daily funds secured?
	6. Who is responsible for securing them?
	7. Who manually issues receipts for over-the-counter checks in the pre-printed finance department receipt book?

Disbursements:

* 1. Who collects the payroll change notices from department heads/elected officials?
	2. Who checks the employee database and current fiscal year budget for availability of funds for the changes being requested in regard to payroll/staff?
	3. Who performs new hire orientation, and/or processes the approved changes in the payroll software?
	4. Who checks data entries for employee additions or changes in the payroll software to ensure accuracy?
	5. Who physically enters invoices and prepares for the issuance of checks?
	6. Who physically prints checks and prepares the checks for signature?
	7. Who determines the reason and examines documentation for the issuance of the check?
	8. Are two signatures signed on county non-payroll checks? Who signs for each department? Who are the backup signers?
	9. Who processes the signed checks and invoices, stubs, check copies and mail?
	10. Who reconciles the accounts payable bank statements with the trustee and finance software?
	11. Who collects timesheets to indicate approval of the hours worked and leave calculations?
	12. Who calculates salaries and deductions in software and proof with a co-worker?
	13. Are all timesheets recalculated, signed by the employee and signed as approved by the employee’s supervisor? Does the finance director ensure this has been done in every case? Does each and every employee complete some form of time and attendance record leave taken, leave balance as well as time worked?
	14. Who is responsible for processing payroll and posting it to the general ledger?
	15. Who uploads check stubs into eStub software?
	16. Does the county issue physical payroll checks? If so, who signs them?
	17. Who determines ACH accuracy and uploads to the bank online treasury management to build and release the files for the necessary date(s)?
	18. Who determines that all payroll deductions are paid to proper payee and that payroll deductions clear out for each payroll period?
	19. Who calculates the amount of the payroll tax deposit by utilizing payroll records?
	20. Who approves the amount of the payroll tax deposit by utilizing payroll records?
	21. Who approves the amount of the payroll tax deposit then electronically makes the payroll tax deposit or supervises the performance of this procedure?
	22. Who verifies the amounts of the payroll tax deposit and signs the payroll or other payroll deduction checks?
	23. Who mails or delivers the checks as applicable?
	24. Who scans/reviews the payroll ledgers/registers for obvious errors or miscalculations, notes the total payroll amount and the department totals?
	25. Who scans the ledgers for new employees or employees that have no payroll deductions?
	26. Who scans overtime, compensatory time, persons who are paid from more than one account code and similar unique items to determine the reasonableness of the amounts?

Journal Entries:

* 1. Who is responsible for detecting errors in the monthly budget reviews?
	2. What type of form is used for journal entries?
	3. Does the form record debits and credits and explain the transaction in detail for each journal entry? Is documentation attached as necessary?
	4. Who approves all journal entries? Who is designated in the event of an absence?
	5. Who is responsible for data entry?
	6. Who is responsible for reviewing the pre-post general ledger reports for approval?
	7. Who posts the approved entries?

Grant Management:

* 1. Who works with all county personnel to ensure the grant procedures are followed in accordance with the county policy?
	2. Who receives a pre-grant application form or application/approving resolution for federal, state, or other grants?
	3. Who approves and sends the grant application to the county commission for approval?
	4. Who all is authorized to sign a grant on behalf of the county in each department?
	5. Is the most recent version of the U.S. Office of Management and Budget’s uniform administrative requirements, cost principles and audit requirements for federal awards on file at the finance office?
	6. Who is responsible for knowledge of the contents in the OMB document, the grant contract and seeks any clarification from federal, state or other grant program management personnel?
	7. Are all grant documents maintained in the finance office?
	8. What documents are kept in each file?
	9. Are internal control procurement policies maintained in the office?
	10. Are revenues and expenditures for each federal or state grant maintained in separate revenue expenditure accounts or cost centered so that each grant can be easily recognized and accounted for in the county’s accounting records?
	11. Who is responsible for maintaining the county and highway grants?
	12. Who is responsible for maintaining the school grants?
	13. Who provides backup for the two previous responsibilities?

Capital assets

1. Does the county have a fixed asset policy in accordance with GASB 34?
2. What is the capital assets threshold?
3. How is equipment purchased with grant money marked or tagged?
4. Who prepares and maintains the inventory of all county assets?
5. Who physically inspects the inventory? How often?
6. Does each department mark its inventory and submit an inventory list to the county mayor’s office annually?
7. Who maintains fixed assets?
8. Who physically observes the equipment in each department annually?
9. Who maintains and updates the inventory list in the finance office?
10. Does the county have any real property lease agreements?
11. Who monitors the agreements and payments to the county?

Payroll:

* 1. Do all new county employees physically come to the finance office to get set up on payroll?
	2. Do all employees who request a change in payroll direct deposit physically come into the office to sign the necessary forms?
	3. Are supervisors of terminated/retired employees required to promptly submit a form to county finance to end payroll payments?
	4. Who is responsible for catching the mistake if the supervisor fails to send the form?
	5. Who performs a comprehensive payroll audit for all county offices in the spring during annual budget development to ensure all employees have supporting documentation?

Surplus county property:

* 1. Who in the office administers the sales of surplus county equipment, real property or other personal property after it has been declared surplus?
	2. Who handles the transfer of surplus property to other governmental entities or county departments?
	3. Does the department adhere to the county’s policy for disposal of surplus property?
1. Whether revenues and expenditures in the finance office and county general fund are properly recorded and accounted for to permit the preparation of accurate and reliable financial and statistical reports and to maintain accountability over the assets

Expenditures and revenues:

* 1. Does the finance office perform monthly reconciliations for all funds with the county trustee?
	2. Who is responsible for ensuring that revenues and expenditures are coded correctly?
	3. Who sends a copy of the month end reports to all county department heads and officials for review?
	4. Who posts all purchase orders and contracts to the software as encumbrances to assist with ongoing monitoring of the appropriation budget?
	5. Who reviews the budget of each fund to ensure the original approved budget and any subsequent budget amendments are posted correctly to the accounting software?
	6. Does the office have a year-end checklist for each report needed by audit?
	7. Who prepares and reviews depreciation and capital asset reports?
	8. Who is responsible for identifying and correcting internal control weaknesses within the finance department?
	9. How does the finance department stay up to date on state law pertaining to accounting, purchasing and budgeting?