

# Sample Internal Control Checklists

## INTERNAL CONTROL CHECKLISTS

AGENCY			
CYCLE		SYSTEM	
PREPARED BY		Date:	

## Sample Self-Assessment Questions

To assess the effectiveness of control, an organization may find it helpful to express the criteria as questions tailored to its circumstances. The following is a simple example of questions a group might use to conduct a self-assessment. In each case, the answer to the question would be followed by "How do we know" to trigger identification and discussion of the control processes.

### *Purpose*

- Do we clearly understand the mission and vision of the organization?
- Do we understand our objectives, as a group, and how they fit with other objectives in the organization?
- Does the information available to us enable us to identify risk and assess risk?
- Do we understand the risk we need to control and the degree of residual risk acceptable to those to whom we are accountable for control?
- Do we understand the policies that affect our actions?
- Are our plans responsive and adequate to achieve control?
- Do we have manageable performance targets?

### *Commitment*

- Are our principles of integrity and ethical values shared and practiced?
- Are people rewarded fairly according to the organization's objectives and values?
- Do we clearly understand what we are accountable for, and do we have a clear definition of our authority and responsibilities?
- Are critical decisions made by people with the necessary expertise, knowledge and authority?
- Are levels of trust sufficient to support the open flow of information and effective performance?

### *Capability*

- Do we have the right people, skills, tools and resources?

- Is there prompt communications of mistakes, bad news and other information to people who need to know, without fear of reprisal?
- Is there adequate information to allow us to perform our tasks?
- Are our actions coordinated with the rest of the organization?
- Do we have the procedures and the processes to help ensure achievement of our objectives?

***Monitoring and Learning***

- Do we review the internal and external environment to see whether changes are required to objectives or control?
- Do we monitor performance against relevant targets and indicators?
- Do we challenge the assumptions behind our objectives?
- Do we receive and provide information that is necessary and relevant to decision-making?
- Are our information systems up to date?
- Do we learn from the results of monitoring and make continuous improvements to control?
- Do we periodically assess the effectiveness of control?

<b>Cash Receipts</b>				
		YES	NO	N/A
	Are current written policies and procedures used with respect to collection, recording, safeguarding, and depositing cash receipts?			
	Are responsibilities for cash receipt functions segregated from those for cash disbursement?			
	Are responsibilities for collecting, depositing, and accounting for receipts performed by different individuals?			
	Are responsibilities for preparing and approving bank account reconciliations segregated from other cash receipt or disbursement functions?			
	Are all local bank accounts reconciled within 30 days of the statement date?			
	Are copies of reconciliations submitted to the agency controller's office?			
	Are cash receipts recorded properly and timely and deposited intact daily?			
	Is a balance and summary of all cash receipts prepared daily?			

	Are all shortages or overages investigated and, to the extent possible, corrected?			
	Are duplicate deposit slips prepared and endorsed by the bank, and compared with amounts recorded in cash receipts records?			
	Is there effective control over miscellaneous receipts such as sales of scrap, interest, rents, donations, etc.?			
	Are collections made over the counter or in the field documented by the issuance of sequentially pre-numbered receipts?			
	Are two people present (one opening, one recording) during the opening of mail where remittances are routinely received?			
	Are all cash receipts in field offices transmitted to the central office through the banking system?			
	Are adequate written procedures established and followed for recording and processing remittances by mail?			
	Are items placed in suspense account kept to a minimum with adequate records maintained to assure the correct and prompt handling and final disposition?			
	Are procedures adequate for follow-up on checks stamped "not sufficient funds" (NSF)?			
	Is NSF check follow-up done by someone independent of the processing and recording of cash receipts?			
	Are physical security safeguards maintained where cash is stored and processed?			
	Are cashiers prohibited from cashing personal checks or notes of personal indebtedness?			
	Are cash, check-signing machines, signature plates, and blank, partially prepared, mutilated, and voided checks protected from unauthorized use?			

	<b>Petty Cash</b>			
		YES	NO	N/A
	Are petty cash accounts other than change accounts established and maintained as bank checking accounts whenever possible?			
	Are petty cash accounts accounted for on an imprest basis?			
	Is responsibility for each petty cash account vested in only one person?			

	Are only original vouchers or receipts (no photocopies) used to support petty cash disbursements?			
	Are petty cash checking accounts reconciled monthly by a person other than the custodian?			
	Are surprise counts of petty cash made periodically by a person other than the custodian?			
	<b>If a postage meter is used:</b>			
	Is a postage meter book properly maintained?			
	Are purchases of postage made only by check or warrant?			
	Are purchases of postage compared periodically to postage meter usage?			
	If a postage meter is not used, are proper controls exercised over postage stamps?			

<b>Disbursements--General</b>				
		YES	NO	N/A
	Are controls established for disbursements to ensure that the proper funds and accounts are charged; that appropriations or funds from which payments will be made are available for that purpose; that disbursements are made in accordance with purchase orders and contracts; that disbursements are used only for authorized purposes; and that all laws, rules, and regulations governing the disbursements are followed?			
	Is the responsibility for authorization of disbursements clearly defined and assigned to specific personnel?			
	Are controls established to assure that all payments are made on a timely basis and that the most favorable terms of the billing document sought and followed?			
	Are quantities, charges, name of the payee, and amount of the payment verified to be correct before payment is authorized?			
	Is there a periodic supervisory review for program coding, pricing, and extending vendor's invoices?			
	Are controls established to ensure that duplicate payments are not made?			
	Are only original invoices (no photocopies) totaling the amount of the disbursement attached to each voucher before payment?			
	<b>Are employee duties in the handling of disbursements segregated to the extent possible with regard to:</b>			

	The initiation of purchase requisitions and field orders?			
	The approval of vouchers, invoices, and warrant registers?			
	The preparation of warrants/checks?			
	The mailing of warrants/checks?			
	The recording of disbursements? (To the extent possible, are employee duties in this area complementary to or checked by another employee?)			
	Is each cash disbursement properly vouched and approved by the proper authorities before the actual disbursement occurs?			
	Except for disbursements properly made from petty cash, are all disbursements made by warrant or check?			
	Are disbursements recorded properly and on a timely basis?			
	Are written procedures established and being followed to control access to and the receipt, issue, and inventory of blank warrants and checks?			
	Has the agency designated in writing a custodian and an alternate for blank warrants and checks?			
	Are blank warrants and checks kept in locked storage under the control of and accessible only by the designated custodian or the alternate?			
	Are procedures in place to control warrants and checks to be voided or destroyed?			
	Is a physical inventory of the entire stock of blank warrants and checks performed at least monthly by the custodian and supervisor and any variances properly investigated?			
	Are written procedures established for authorization and payment of transportation by common carrier?			
	Are unused credit cards and blank stock of Transportation Reimbursement Request forms inventoried at least quarterly and kept under lock?			

	<b>Disbursements--Travel</b>			
		YES	NO	N/A
	Are written procedures established consistent with the Oregon Accounting Manual?			
	Are formally adopted, written internal policies and procedures established to control the utilization of meals, coffee, and light refreshments at meetings and			

	formal training sessions?			
	Is authorization of travel exercised through use of a travel authorization form, or other equally effective means?			
	Are travel reimbursement requests signed by the employee and approved by the agency head or authorized designee?			
	Are travel reimbursement expense forms of agency heads signed by the chief financial officer or designated official certifying that the reimbursement complies with state travel regulations?			
	Are travel reimbursement expense forms and supporting documentation of agency heads not reporting to the governor submitted for review to the appropriate appointing authority or delegated officials?			
	Are written procedures established for authorization and payment of official transportation by common carrier?			
	Are air transportation purchases made in accordance with the Transportation Purchasing and Print Services air travel program requirements and the Oregon Accounting Manual?			
	Is reimbursement for air transportation in an amount greater than that of the TPPS airfare schedules approved in writing in advance by the agency head or authorized designee?			
	Is the approval for air transportation in item above in accordance with the conditions found in the TPPS airfare contract?			
	Is reimbursement for non-air transportation in greater than tourist class or its equivalent approved in writing in advance by the agency head or authorized designee?			
	Has written approval for travel outside the continental USA been obtained and documented?			
	Is, prior to payment, the agency copy of the travel reimbursement request matched to the appropriate merchant vendor receipts or is matched to the monthly statement from the credit card company?			
	Are unused credit cards and blank stock of travel reimbursement request forms inventoried at least quarterly and kept under lock?			
	Are persons who authorize commercial transportation not to receive tickets or use the transportation?			
	Is written approval of the agency head or designee obtained prior to authorizing direct billing to the agency and direct payment by an individual of the agency responsible for payment of travel allowances?			

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## Disbursements—Local Checking Account

		YES	NO	N/A
	Are checks prenumbered?			
	Is physical control of checks maintained by someone other than persons originating disbursement requests?			
	Are spoiled or voided checks retained and the signature blocks on the checks removed?			
	If a check-signing machine is used, is the signature plate and the use of the check-signing machine kept under the control of the official whose name appears on the signature plate or an authorized designee?			
	Are dual signatures required on all checks?			
	Are bills or vouchers presented with checks for signature?			
	Are bills or vouchers marked "Paid" only at the time check is signed?			
	Are checks mailed by someone other than the person preparing the check?			
	Does someone approve bills for payment other than the persons who sign checks?			
	Are bank statements reconciled at least monthly?			
	Does a person not involved in the cash receipt or disbursement functions reconcile bank accounts?			

## Purchases

		YES	NO	N/A
	Are pre-numbered purchase and field order forms used and strictly accounted for by number?			
	Are invoices matched with purchase orders and receiving reports before approval for payment?			
	Are invoice computations and pricing verified before approval for payment?			
	Are all invoices paid in a timely manner so that discounts may be taken?			
	Are monthly statements from vendors compared with accounts payable balances?			
	Are purchases made by competitive solicitation?			

	Are Payable Subsidiary Ledgers reconciled to the control accounts monthly?			
	Are copies of order forms distributed to receiving and accounting departments?			
	Are claims filed promptly for goods damaged in shipment?			

<b>Investments and Securities</b>				
		YES	NO	N/A
	Is the authority to purchase, exchange, or sell investments and securities clearly defined?			
	Is the custodian of securities not authorized to purchase, exchange, or sell securities?			
	Are securities kept in a safe deposit box, safe, or vault?			
	Are combinations and keys to these security devices restricted to a limited number of people and changed when employees rotate or leave their jobs?			
	Does access to securities require the presence of at least two designated officers?			
	Are safe or vault contents inventoried at least monthly?			
	Do the accounting department and the custodian maintain detailed records of all investments and securities?			
	Are employees that handle and have access to securities closely supervised or reviewed by other employees?			
	Are periodic checks made to verify that all income due on investments has been received?			
	Are periodic evaluations of the performance of investment portfolios performed by authorized personnel independent of investment portfolio management activities?			

<b>Receivables</b>				
		YES	NO	N/A
	Are responsibilities for billing, collection, cash receiving, receivables accounting, and the maintenance of general ledger control accounts assigned to provide division of duties?			
	Are receivables recorded promptly in the proper funds and accounts when goods and/or services are provided?			

	Are separate accounts maintained for each major category of receivables to ensure the clear and full disclosure of the agency's resources in its financial reports?			
	Are accounts receivable records adequately safeguarded and access to these records restricted to only authorized employees?			
	Are control accounts balanced with the detailed ledgers at least monthly?			
	Does an individual independent of receivable record keeping promptly investigate disputed billing amounts, and do the proper authorities approve credit adjustments?			
	Are pre-numbered credit memorandum forms used?			
	Are receivable accounts reviewed periodically for credit balances?			
	Is there an independent verification of quantities, prices, and clerical accuracy of billing invoices?			
	Are billings prepared fully and promptly, and statements sent to all customers on a regular basis?			
	Are receivable accounts aged monthly and reviewed by authorized personnel?			
	Are written collection procedures established and being utilized to promptly follow up on past due receivables?			
	Are procedures developed to address uncollectible accounts and the write-off of such accounts, and do write-offs receive the proper level of authorization in accordance with state law and Oregon Accounting Manual?			

<b>Supplies and Merchandise Inventories</b>				
		YES	NO	N/A
	Are only authorized individuals responsible for receiving and issuing supplies and merchandise for the agency; for inspecting all goods received to verify that they conform to specifications; and for the enforcement of all policies necessary for the internal control of these assets?			
	Is responsibility for purchasing, receipt of merchandise or services, and invoice approval assigned to provide division of duties?			
	Have specific central points been identified for receiving and issuing supplies?			
	Are receiving reports and issue reports prepared for all receipts and issues?			
	Are quantities received compared to the bill of lading and receiving report?			

	Are effective control procedures established to ensure that state supplies and fixed assets are used properly and for authorized purposes?			
	Are actual physical inventory counts of all agency supplies and equipment made periodically in accordance with Oregon Accounting Manual policies?			
	Are personnel other than those who take inventories responsible for inventories?			
	Are perpetual or periodic inventory records maintained to reflect dollar value and quantities of merchandise for resale and significant supplies inventories?			
	Are supplies and merchandise arranged so that the earliest received or produced will be issued first?			
	Are damaged and obsolete goods physically segregated?			
	Are supplies and merchandise kept neat?			

	<b>Payroll</b>			
		<b>YES</b>	<b>NO</b>	<b>N/A</b>
	Are responsibilities for supervision and time keeping, personnel, payroll processing, disbursements, and general ledger functions assigned to provide division of duties?			
	Does a person other than the employee's immediate supervisor distribute payroll warrants?			
	Do personnel other than employees connected with preparation of payroll distribute Forms W-2?			
	Are detailed records of hours worked maintained and approved, when appropriate?			
	Are completed payroll charges reviewed before disbursements are made?			
	Are payroll charges, including fringe benefits, recorded and distributed accurately and promptly?			
	Are there written procedures for approving, recording, and controlling sick leave, vacations, holidays, overtime, compensatory time, and stand-by time?			
	Are procedures established to ensure that supervisory personnel verify attendance and payroll reports?			
	Are confidential payroll records and reports adequately safeguarded?			

## Automated Data or Information Processing

		YES	NO	N/A
	Is the information services (IS) department independent of the accounting and operating departments for which it processes data?			
	Is there an appropriate segregation of duties within the information services function for system development (design and programming), technical support (maintenance of systems software), and operations?			
	Are there controls over preparation and approval of input transactions outside the IS department and prohibiting the department from initiating and processing transactions without the approval of the affected users?			
	Are there controls over the completeness and accuracy of input, processing and output?			
	Are there controls over error correction of rejected transactions?			
	Is access to terminals and data entry restricted to authorized employees?			
	Is password security over computer systems set-up on an individualized basis?			
	Do controls include user reconciliation of output totals to input totals for all data submitted, internal reconciliation of file balances, and the review of outputs for reasonableness?			
	Are there appropriate controls over use and retention of tape and disk files, including provisions for retention of adequate records to provide backup capabilities?			
	Are adequate controls exercised over changes to system software?			
	Is access to computer equipment and system documentation limited to authorized employees?			
	Is there adequate documentation of procedures to be followed by computer operators?			
	Is there a written and tested contingency plan providing for continued processing of critical applications in the event of a disaster to the computer facility?			
	Have appropriate controls been established for the use and contents of personal computers?			

## Sales

		YES	NO	N/A

	Are printed standard price lists used and being reviewed and approved periodically by an authorized person?			
	Are written orders from customers required, when appropriate?			
	Are sales invoices pre-numbered?			
	Does a person other than the preparer check invoice computations?			
	Is the numerical sequence of sales invoices accounted for periodically and are monthly credits to sales reconciled with charges to accounts receivable?			
	Are over-the-counter cash sales controlled by a cash register which generates a sequentially numbered transaction log and a customer receipt, both indicating the mode of payment (e.g., cash, check, etc.)?			
	Are customer complaints handled independently of the sales department?			
	Are discounts taken by customers checked for propriety, and if not qualified, are discounts taken added to the customer's next billing?			
	Are sales returns receiving reports prepared for all sales returns?			
	Are sales returns credit memos pre-numbered?			
	Are quantities listed on credit memos compared with receiving reports?			
	Are prices on credit memos compared with prices on sales invoices covering merchandise returned?			

	<b>Safeguarding Capital and Non-Capital Assets</b>	Prepared Date:	
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		YES	NO	N/A
	Does the agency have written procedures for controlling capital and non-capital assets?			
	Has the agency head designated, in writing, one or more individuals responsible for the maintenance of the agency's capital asset inventory?			
	Does the agency have written internal policies defining non-capital assets that have a high risk of loss?			
	Does the agency's definition of assets having a high risk of loss include those non-capital assets considered by OAM policy to be at high risk of loss?			
	Does the agency have written internal policies specifying control measures applicable to assets at high risk of loss?			
	Are assets at high risk of loss maintained on an automated inventory system?			
	Does the agency maintain all the data elements required for assets at high risk			

	of loss?			
	Do written procedures exist for safeguarding equipment against improper or unauthorized use?			
	Are responsibilities for the property record function segregated from the general ledger function?			
	Are only authorized individuals responsible for receiving and issuing capital assets for the agency; for inspecting all goods received to verify that they conform to specifications; and for the enforcement of all policies necessary for the internal control of these assets?			
	Are there adequate provisions for safely storing equipment?			
	Is responsibility for purchasing, receipt of capital asset, and invoice approval assigned to provide division of duties?			
	Have specific central points been identified for receiving and issuing capital assets?			
	Are receiving reports and issue reports prepared for all receipts and issues?			
	Are quantities received compared to the bill of lading and receiving report?			
	Are detailed records kept of capitalized and inventoriable capital and non-capital assets in accordance with Oregon Accounting Manual and agency policy?			
	Are detailed property records reconciled quarterly to the general ledger?			
	Are certified, summary level reports of capital assets submitted to SARS quarterly?			
	Are actual physical inventory counts of all agency equipment made periodically in accordance with Oregon Accounting Manual policies?			
	Are all inventoriable capital assets and non-capital assets at high risk of theft subject to a physical count, at least, every two years?			
	Is the physical inventory subject to verification or conducted by a person who is neither directly responsible for the assets nor supervised by the person responsible?			
	Do the physical inventory procedures include instructions for noting obviously unserviceable assets?			
	Are personnel assigned responsibility for counting capital assets provided with a listing of items to be counted?			
	Are written physical inventory instructions developed, distributed, and explained to each person participating in the inventory process?			

	Does physical inventory instructions include directions as to how and where each item counted is to be recorded, what information is to be recorded, what to do when questions arise, and what procedures are to be followed when equipment is located but is not listed?			
	Does the person counting the assets attest to the accuracy of the count by signing her/his name at the bottom of each inventory page?			
	Does the inventory officer perform the reconciliation between the physical inventory and the property management system?			
	Does the inventory officer certify the reconciliation with a statement and signature that it is correct?			
	Are damaged and obsolete goods physically segregated?			
	Is state equipment permanently tagged and/or identified in accordance with Oregon Accounting Manual and agency policies?			
	Is one individual appointed the responsible controlling official for the agency's control tags?			
	Is the inventory control officer responsible for maintaining a permanent list of lost or destroyed control numbers?			
	Is a permanent list of lost or destroyed control (tag) numbers maintained?			
	Does the agency's inventory officer, in a sequential order, assign control (tag) numbers?			
	Are all control (tag) numbers accounted for?			
	Is an annual reconciliation between the control (tag) numbers and the inventory records made to determine if all tagged assets are properly entered in the inventory?			
	Are items transferred from another state agency retagged according to the agency's numbering system?			
	Does a designated individual affix state tags at a central receiving point?			
	Are unrecorded assets tagged and entered into the inventory system as soon as possible after discovery?			
	Do controls exist to ensure capital leases of equipment are included in the capital asset records?			
	Are there procedures for recording transfers of equipment within the agency?			
	Are capital assets classified as infrastructure recorded in the accounting records of the agency?			

	Are controls established to ensure that state of Oregon regulations and procedures are followed in the sale or disposition of state property or in reporting the loss or theft of such assets?			
	Does the agency have formal notification procedures for notifying agency personnel of suspected loss of capital assets?			
	Have appropriate controls been established for the use and contents of personal computers?			

	<b>General</b>			
		YES	NO	N/A
	Are accounting records neat and in proper order?			
	Are accounting records kept current?			
	Are employees required to take periodic vacations and, in their absence, do other employees perform their work?			
	Are internal audits performed?			
	Do authorized personnel approve all journal entries?			
	Is a current organizational chart maintained and followed?			
	Does appropriate documentation of procedures exist for all agency systems and functions such that the organization could continue to operate if key employees leave?			
	Does agency management regularly review accounting report summaries, monitoring any unusual levels of revenues, expenditures, or FTEs?			