

MENTAL HEALTH REGION _____ 2018 Audit Programs _____

June 30, 2018

INTERNAL CONTROL QUESTIONNAIRE

W/P REF.

CONTROL ENVIRONMENT

RISK ASSESSMENT

INFORMATION AND COMMUNICATION

MONITORING

CONTROL ACTIVITIES (Including control risk assessment):

PETTY CASH/CASH

INVESTMENTS

RECEIPTS/REVENUES/RECEIVABLES

DISBURSEMENTS/EXPENDITURES/PAYABLES

PAYROLL

FINANCIAL REPORTING

CAPITAL ASSETS

LONG-TERM DEBT

OTHER:

IT

Incharge	_____	Date	_____
Manager	_____	Date	_____
Independent Reviewer	_____	Date	_____

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QUESTION	YES	NO	N/A	REMARKS
OBJECTIVE: To obtain sufficient knowledge of the Region's internal controls including: Control Environment, Risk Assessment, Information and Communication, Monitoring and Control Activities.				
<u>CONTROL ENVIRONMENT</u>				
1. Does previous experience with the Region indicate integrity and competence among the Region's officials and personnel?				
2. Has the Region created and maintained a culture of honesty and ethical behavior?				
3. Has the Region established policies regarding such matters as acceptable business practices, conflicts of interest and codes of conduct?				
4. Has the Region established procedures to identify and monitor related party transactions?				
5. Does the Region provide adequate training of employees?				
6. Do accounting personnel appear to have sufficient expertise in selecting and applying accounting principles?				
7. Are there regular meetings of the governing body to set policies and objectives and review the Region's performance?				
8. Does the Region have a mission statement, objectives and goals?				
9. Are management and operating decisions determined at appropriate levels?				
10. Have officials given a high priority to internal controls?				
11. Do officials emphasize meeting the budget and/or other financial and operating goals?				
12. Do appropriate officials take an active role in the financial reporting of the Region?				
13. Is the Region adequately meeting its financial obligations?				
14. Has the Region been responsive to prior recommendations from its auditors?				
15. Is the Region willing to adjust the financial statements for misstatements that approach a material amount?				
16. Does the Region have a current table of organization?				
17. Is the organizational structure appropriate for the size and complexity of the Region?				

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QUESTION	YES	NO	N/A	REMARKS
<p>18. Are there formalized policies and procedures for all major operations of the Region?</p> <p>19. Do Region officials stress adherence to such policies and procedures?</p> <p>20. Is there a clear assignment of responsibility and delegation of authority to deal with such matters as organizational goals and objectives, operating functions and regulatory requirements?</p> <p>21. Are there written job descriptions for each employee delineating specific duties, reporting relationships and constraints?</p> <p>22. Does management hold individuals accountable for their internal control responsibilities?</p> <p>23. Are vacations mandatory for financial personnel and are duties rotated when employees are on vacation?</p> <p>24. Are there regular evaluations of employee job performance?</p> <p>25. Does the Region have policies and procedures which address employee disciplinary action when necessary?</p>				
<u>RISK ASSESSMENT</u>				
<p>1. Has the Region assessed the effect of the following conditions on the Region's ability to prepare financial statements that are free from material misstatement:</p> <p style="padding-left: 40px;">a. Changes in the Region's operating environment?</p> <p style="padding-left: 40px;">b. New personnel?</p> <p style="padding-left: 40px;">c. Rapid growth?</p> <p style="padding-left: 40px;">d. New technology?</p> <p style="padding-left: 40px;">e. New accounting pronouncements?</p> <p style="padding-left: 40px;">f. Related party transactions?</p> <p style="padding-left: 40px;">g. Potential for fraud?</p> <p>2. Does management consult with its auditors on (or make independent assessments of) new accounting issues or pronouncements?</p>				
<u>INFORMATION AND COMMUNICATION</u>				
<u>General</u>				
<p>1. Do accounting and key management personnel understand the duties and control responsibilities applicable to their jobs and that their responsibilities contribute to the Region's financial reporting objectives?</p>				

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QUESTION	YES	NO	N/A	REMARKS
2. Are employees encouraged to report suspected improprieties to management?				
3. Does management communicate with external parties regarding matters affecting the functioning of internal control work?				
<u>Accounting System</u>				
1. Is a chart of accounts used?				
2. Are the accounting records:				
a. adequate for the Region?				
b. kept up to date?				
c. balanced monthly?				
3. Is there an accounting procedures manual?				
4. Are specific duties assigned to individual employees?				
5. Are accounting records maintained on a computer system?				
<u>MONITORING</u>				
6. Is management sufficiently involved in the operations to identify significant variances from expectation?				
7. Does management take appropriate follow-up action for identified problems or weaknesses in internal controls?				
8. Are budgets required for all funds regardless of whether mandated by law?				
9. Is the budget prepared and communicated in sufficient detail to provide a meaningful tool with which to monitor performance?				
10. With respect to service organizations which the Region uses to process transactions or which are part of the Region's information system:				
a. Is the contract between the Region and the service organization non-discretionary (that is, it does not give the service organization discretionary authority to execute transactions without the Region's involvement at the time of execution)?				
b. Is the service provided highly standardized and used extensively by many other entities rather than being unique and used by only a few?				
c. Does the Region retain responsibility for authorizing transactions?				

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QUESTION	YES	NO	N/A	REMARKS
d. Are control policies and procedures applied to the transactions affected by the service organization's activities?				
e. Does the Region retain accountability for the transactions (does the Region maintain records supporting its assets and transactions involving those assets)?				
f. Does the service organization provide the Region with information about custody of assets, recordkeeping for assets and transactions by the organization?				
g. Is any information in the service organization's possession about the Region's assets verifiable by the Region?				

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Briefly summarize how the designs of the control environment, the Region's risk assessment, information and communication and monitoring were identified.

Briefly summarize how the controls were determined to be implemented.

Briefly summarize the significant elements (major concerns) identified that affect the risk of material misstatement in the financial statements.

Identify the tests of controls, if any, performed to test the operating effectiveness.

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<u>CONTROL ACTIVITIES</u>				
<u>PETTY CASH AND CHANGE FUNDS</u>				
1. Is responsibility for each petty cash and change fund assigned to only one person?				
2. Are the petty cash and change funds maintained on an imprest basis?				
3. Is the petty cash fund replenished periodically by check after filing a claim with the petty cash vouchers or receipts attached?				
4. Are the petty cash and change funds segregated from other cash?				
<u>CASH</u>				
1. Are bank account(s) maintained for the deposit of all monies received and are they authorized?				
2. Are bank account balances reconciled with book balances promptly at the end of each month?				
3. Is a list of outstanding checks prepared at the end of each month?				
4. Are bank accounts reconciled by a person who does not: a. Sign checks? b. Handle cash? c. Record cash?				
5. Are bank statements and checks delivered to the reconciler unopened?				
6. Are bank reconciliations periodically reviewed by an independent person for propriety?				
7. Does the reconciler examine paid checks for dates, payee, signature, cancellations and endorsements, and account for numerical sequence of checks?				
8. Are checks outstanding for more than an extended period periodically investigated and written-off, if appropriate?				
9. Are other reconciling items appropriate? Identify other reconciling items at year end.				
10. Is all cash not currently needed invested?				
11. Are cash long or short amounts reviewed periodically by a responsible official and an appropriate adjustment made?				

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QUESTION	YES	NO	N/A	REMARKS
<p>12. Does the Region use computer software to account for cash or fund balances?</p> <p>a. Do the software programs limit functions to those who have a legitimate need? Identify those with access.</p> <p>b. Does an independent person approve electronic fund transfers for cash?</p> <p>13. For on-line banking:</p> <p>a. Are strong passwords required and changed regularly?</p> <p>b. Does the financial institution, in addition to passwords, use multi-factor authentication methods for on-line bank access (e.g. tokens, digital certificates, smart cards)?</p> <p>c. Does the Region review account activity frequently (UCC allows businesses two days to detect a fraudulent bank transaction)?</p> <p>d. Is dual authorization or phone verification required for all transfers?</p>				
<u>INVESTMENTS</u>				
<p>1. Is the person responsible for the detailed record keeping of investments independent of the custodian(s)?</p> <p>2. Do employees having no responsibility for custody of investments or record keeping:</p> <p>a. Periodically inspect the investments?</p> <p>b. Confirm those held by outsiders?</p> <p>c. Reconcile documents to the investment records?</p> <p>d. Verify recorded investment earnings to determine the accuracy thereof?</p> <p>e. Reconcile earnings with published financial records of payments?</p> <p>3. Is more than one person required to be present during inspection of investments?</p> <p>4. For investments in government securities, does the investment officer appear to have an understanding of the types of securities?</p> <p>5. Are changes in the type of investment in the investment portfolio approved in accordance with the investment policy?</p>				

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QUESTION	YES	NO	N/A	REMARKS
6. Are investments purchased and sold only on proper authorization? 7. Are brokers' advices and other original papers evidencing purchase and sale of securities properly filed and retained? 8. Are persons having access to investments adequately bonded? 9. Are investment documents registered in the name of the Region? 10. Is an investment ledger/register maintained for each investment, including cost, description, date purchased, interest rate, maturity date and identifying number? 11. Is a record of investment income maintained? 12. Are investment documents kept in a safe deposit box or vault? 13. Does the Region use computer software to account for investments? a. Do the software programs limit functions to those who have a legitimate need? Identify those with access. b. Does an independent person approve electronic fund transfers for investments?				
<u>RECEIPTS/REVENUES/RECEIVABLES</u>				
1. Are responsibilities for collection, deposit preparation and reconciliation functions segregated from those for recording and accounting of cash receipts? 2. Is mail opened by someone other than the employee having access to the accounting records? 3. Is a list of money and checks received prepared by the person opening the mail at least on a test basis? 4. Is this list compared with the cash receipts record and the bank deposit by a person not preparing the list or involved in maintaining the accounting records? 5. Is a restrictive endorsement (for deposit only) placed on all checks immediately upon receipt? 6. Are receipts deposited: a. Intact? b. Timely? 7. Is the duplicate deposit ticket stamped by the bank or a receipt returned to the person who prepared the deposit?				

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QUESTION	YES	NO	N/A	REMARKS
<p>8. Is the stamped, duplicate deposit ticket compared to the cash receipts journal?</p> <p>9. Are receipts issued? If so, are they prenumbered and is the numerical sequence accounted for?</p> <p>10. Are all voided receipts properly mutilated and retained?</p> <p>11. Is cashing of checks from cash receipts prohibited?</p> <p>12. Are the responsibilities for maintaining detail accounts receivable records segregated from collections and records postings?</p> <p>13. Are delinquent accounts periodically aged and reviewed by an official?</p> <p>14. Do procedures exist to reconcile amounts collected to records of billings?</p> <p>15. Are returned checks adequately controlled and periodically reviewed for collectibility?</p> <p>16. Do facilities exist for protecting undeposited cash receipts?</p> <p>17. Does the Region use computer software to account for receipts/revenues/receivables?</p> <p style="padding-left: 40px;">a. Do the software programs limit functions to those who have a legitimate need? Identify those with access.</p> <p style="padding-left: 40px;">b. Are there procedures established for the recording of receipts on electronic fund transfers?</p> <p style="padding-left: 40px;">c. Are rates entered into the computer for calculation of receivables (e.g. per capita rates, etc.)? This may include new or updated rates.</p> <p style="padding-left: 80px;">1) Does an independent person enter the rates in the computer?</p> <p style="padding-left: 80px;">2) Are the rates tested to ensure the proper calculations are being made?</p> <p style="padding-left: 80px;">3) Is the testing of the new/updated rates saved?</p> <p style="padding-left: 80px;">4) Are the rates entered reviewed and approved? Who reviews and approves?</p>				
<u>DISBURSEMENTS/EXPENDITURES/LIABILITIES</u>				
<p>1. Are unused checks adequately controlled and safeguarded? Describe how.</p> <p>2. Are checks prenumbered by the printer?</p> <p>3. Does each check signer review checks and supporting documentation?</p>				

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QUESTION	YES	NO	N/A	REMARKS
<p>4. Are all disbursements required to be supported by invoices or other documentation?</p> <p>5. Is the practice of drawing checks to "cash" or "bearer" prohibited? Identify exceptions.</p> <p>6. Is the numerical sequence of checks issued properly accounted for?</p> <p>7. Are all voided checks properly mutilated and retained?</p> <p>8. Are all payments made by check (except petty cash)?</p> <p>9. Are a limited number of responsible individuals authorized to sign checks?</p> <p>10. Are checks signed:</p> <p style="padding-left: 20px;">a. Manually?</p> <p style="padding-left: 20px;">b. By a check-signing machine?</p> <p style="padding-left: 20px;">c. By signature stamp?</p> <p>11. Are the facsimile signature plates or stamps properly safeguarded? Describe how.</p> <p>12. If a check-signing machine is used, are the number of checks written compared with the counter on the machine by a person independent of the check-signing function?</p> <p>13. Is the signing of checks in advance prohibited?</p> <p>14. Are the persons who sign checks independent of persons:</p> <p style="padding-left: 20px;">a. Approving disbursements?</p> <p style="padding-left: 20px;">b. Handling petty cash?</p> <p style="padding-left: 20px;">c. Recording cash receipts?</p> <p style="padding-left: 20px;">d. Preparing checks?</p> <p>15. Are controls maintained over the supply of unused and voided checks?</p> <p>16. Does the Region use computer software to account for disbursements/expenditures/payables?</p> <p style="padding-left: 20px;">a. Do the software programs limit functions to those who have a legitimate need? Identify those with access.</p> <p style="padding-left: 20px;">b. Is the signature plate inserted into the printer and printed as the checks/warrants are printed?</p> <p style="padding-left: 20px;">c. If the two operations are combined as described above, are review procedures of expenditures by supervisory personnel adequate?</p>				

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QUESTION	YES	NO	N/A	REMARKS
<p>d. Does an independent person approve electronic fund transfers for expenditures?</p> <p>e. Does the Region have a paperless system for the payment of disbursements?</p> <p>17. Do procedures exist requiring adequate scrutiny of related party transactions?</p>				
<u>PAYROLL</u>				
1. Are salaries approved by the governing body for full-time and part-time employees?				
2. Are payrolls reviewed and approved by someone in authority?				
<p>3. Is written approval required for:</p> <p>a. Employees added to or deleted from the payroll?</p> <p>b. Changes in rate of pay?</p> <p>c. Payroll deductions?</p>				
4. Are files that support the above documentation in good order?				
5. Do procedures exist to ensure compliance with terms of union agreements (i.e., wage rates, vacation pay, and similar items)?				
6. Do procedures exist to ensure appropriate regulations are being followed in regard to FICA, wages and hours and other federal, state and local requirements concerning employment?				
7. Do procedures exist to ensure all employees are bona fide?				
8. Do procedures exist to ensure employees do not receive more than the authorized salary payment?				
9. Are time sheets used and approved by appropriate personnel?				
10. Are rates of pay verified?				
11. Do procedures exist for properly documenting and controlling vacation, sick leave and compensatory time off?				
<p>12. Does the Region use computer software to account for payroll?</p> <p>a. Do the software programs limit functions to those who have a legitimate need? Identify those with access to this account.</p>				

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QUESTION	YES	NO	N/A	REMARKS
<p>b. Are payroll rates entered into the computer for calculation of expenditures and payroll withholdings? Payroll rates would include salary/hourly pay rates, federal tax rates, state tax rates, FICA rates, IPERS rates, etc. This would include new or updated rates. If yes, answer the following:</p> <p>1) Does an independent person enter the rates in the computer?</p> <p>2) Are the rates tested to ensure the proper calculations are being made?</p> <p>3) Are the testing results of the new/updated rates saved?</p> <p>4) Are the rates entered reviewed and approved? Who reviews and approves?</p> <p>c. Does an independent person approve electronic fund transfers for the payment of federal taxes, state taxes, FICA and IPERS?</p> <p>d. Is the signature plate inserted into the printer and printed as the checks/warrants are printed? If this is done, the checks/warrants and signatures are printed in one operation.</p> <p>e. If the two operations are combined as described above, are review procedures of payroll by supervisory personnel adequate?</p> <p>f. When a new employee is hired, is an independent person approving the entry on the payroll system?</p> <p>g. Does the Region have a paperless system for electronic timesheets? If yes:</p> <p>1) Do employees only have access to their electronic timesheet? Access should be obtained by the employee's login name and password.</p> <p>2) Do employees prepare their own electronic timesheet?</p> <p>3) Is there a supervisory approval of employee's electronic timesheets? (Employees should not be approving their own electronic timesheet.)</p> <p>4) Do supervisors only have access to the employee electronic timesheets they approve? (Access should be obtained by the supervisor's login name and password.)</p> <p>5) Does only the personnel assistant enter payroll information for new employees or changes to payroll information?</p>				

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QUESTION	YES	NO	N/A	REMARKS
<p>6) Is the departmental approval for payroll information segregated from the personnel assistant entering the payroll information?</p> <p>7) Is the personnel assistant entering payroll information restricted from preparing other employee's electronic timesheets?</p> <p>8) Is the personnel assistant entering payroll information restricted from approving employee timesheets?</p> <p><u>FINANCIAL REPORTING</u></p> <p>1. Is the final review and approval of financial reports segregated from the responsibility for preparation of the reports?</p> <p>2. Are there formal procedures for the Region under which reporting responsibilities are clearly defined and reasonably aligned?</p> <p>3. Are financial reports reviewed and approved at appropriate levels of management?</p> <p>4. Are there procedures to ensure all requirements for filing financial reports are met (i.e., senior levels of government, bondholders, etc.)?</p> <p>5. Does the Region use computer software to account for financial reporting?</p> <p>6. Do the software programs limit functions to those who have a legitimate need? Identify those with access.</p> <p><u>CAPITAL ASSETS</u></p> <p>1. Is there segregation of duties between purchasing functions, recording functions, reconciling functions and custody?</p> <p>2. Are capital assets tested periodically by an official having no responsibility for these assets?</p> <p>3. Are capital expenditures authorized by appropriate officials and the governing body?</p> <p>4. Are deeds and titles:</p> <p>a. Properly prepared?</p> <p>b. Legally recorded?</p> <p>c. Properly safeguarded?</p> <p>5. Are equipment acquisitions originated by approved requisitions that show:</p> <p>a. Item description?</p>				

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<ul style="list-style-type: none"> b. Estimated cost? c. Justification? d. Accounts to be charged? 6. Does the sale, transfer, scrapping or dismantling of equipment require written approval? 7. Are capital assets recorded at cost or, for assets acquired by gift, at fair market value at the date of gift? (If not, indicate basis of valuation.) 8. Is there a policy for differentiating between expenditures to be capitalized and those to be expensed? 9. Is identifying information: <ul style="list-style-type: none"> a. Promptly placed on the equipment? b. Difficult to remove? c. Removed from equipment prior to disposal? 10. Are detailed records of equipment maintained? 11. Are the detailed records for equipment promptly adjusted when equipment is disposed of or transferred? 12. Is a physical inventory taken periodically (at least annually) and reconciled to detailed capital asset records? 13. When assets are to be depreciated/amortized: <ul style="list-style-type: none"> a. Is the depreciation/amortization policy consistent from year to year? b. Are useful lives reasonable? c. Are depreciation/amortization charges discontinued when an asset or group of assets becomes fully depreciated/amortized? d. Are records maintained of fully depreciated/amortized assets which are still in use? 14. Is insurance coverage on property and equipment reviewed periodically for adequacy? 15. Does the Region use computer software to account for capital asset additions, deletions, balances and depreciation/amortization (Proprietary Funds)? <ul style="list-style-type: none"> a. Do the software programs limit functions to those who have a legitimate need? Identify those with access. b. If the computer does calculations for depreciation/amortization of Enterprise Fund assets, are they reviewed to ensure accuracy? 				

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QUESTION	YES	NO	N/A	REMARKS
<u>LONG-TERM DEBT</u>				
1. Has the Region established procedures to ensure long-term debt is properly authorized in accordance with applicable legal requirements?				
2. Are evidences of indebtedness executed only in the Region's name?				
3. Does a responsible official review lease agreements in effect to identify and properly account for lease purchase transactions?				
4. Are records for compensated absences maintained and kept current?				
5. Are compensated absence records periodically reviewed by an independent person?				
6. Does the Region use computer software to account for long-term debt balances?				
a. Do the software programs limit functions to those who have a legitimate need? Identify those with access.				
b. Does an independent person approve electronic fund transfers for long term debt?				