

# Department of Health and Human Services



## Internal Control Questionnaire

This internal control questionnaire is designed to assist the grantee in the identification of strengths and weaknesses in its internal control structure. It will also be used by Departmental monitors and consultants as a guide to assess the grantee's control risk.

Name of Organization: \_\_\_\_\_  
Preparer's Name and Title: \_\_\_\_\_  
Date Prepared: \_\_\_\_\_  
Contact Person: \_\_\_\_\_  
Contact Person's Telephone #: \_\_\_\_\_

<b>Key Employees</b>
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Board of Directors' Chairperson \_\_\_\_\_  
Clerk to the Board of Directors \_\_\_\_\_  
Executive Director \_\_\_\_\_  
Business Manager \_\_\_\_\_  
Chief Finance Officer \_\_\_\_\_  
Deputy Finance Officer \_\_\_\_\_  
Budget Officer \_\_\_\_\_  
Bookkeeper \_\_\_\_\_  
Others (Title) \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**Note:** The basic foundation of an adequate system of internal control is the segregation of duties among employees in such a manner that no one employee handles a transaction from inception to completion. When this is not possible due to the small number of employees, other controls can be implemented to reduce risk.

**Instructions:**

1. Write in the name(s) of the employee(s) which are involved in the following activities: cash receipts, disbursements, payroll, purchasing, posting to the accounting records and fixed assets.
2. For each employee identified, click the check box by each activity that the employee performs.

Employee Duties	Employee Name				
	N/A				
Opens the mail					
Prepares cash receipts log					
Performs cashier functions (receives cash)					
Prepares prenumbered receipts					
Mails prenumbered receipts to payor					
Reviews voided prenumbered receipt forms					
Prepare deposits					
Reconciles cash receipts log to deposit					
Prepares account codings for receipts					
Posts to cash receipts journal					
Posts to general ledger					
Posts to accounts receivable subsidiary records					
Prepares account codings for disbursements					
Posts to cash disbursements journal					
Posts to accounts payable subsidiary records					
Reconciles reimbursement requests to receipts					
Prepares bank reconciliations					
- Operating checking account(s)					
- Investment account(s)					
- Payroll account(s)					
Bank reconciliations reviewed by					
- Operating checking account(s)					
- Investment account(s)					
- Payroll account(s)					
Investigates and resolves complaints from contributors					
Investigates and resolves complaints from vendors					
Write-off of uncollectible pledges or bad debts					
Analyzes aged accounts receivables					
Authorizes and approves disbursements					
Authorizes and approves purchases					
- Prepares purchase requisitions/orders					
Prepares checks					
Signs checks					
Mails checks					
Has access to blank unissued checks					
Reviews voided and returned checks					

**Instructions:**

1. Write in the name(s) of the employee(s) which are involved in the following activities: cash receipts, disbursements, purchasing, posting to the accounting records and fixed assets.
2. For each employee identified, place check box by each activity that the employee performs.

<b>Employee Duties</b>	<b>Employee Name</b>				
	N/A				
Verifies correctness of invoices					
Matches vendor invoices to:					
- Purchase requisitions/orders					
- Receiving reports					
Cancels invoices to prevent duplicate payments					
Maintains imprest petty cash fund					
Reconciles imprest petty cash fund					
Payment of payroll is authorized by					
Additions to payroll authorized by					
Terminations to payroll authorized by					
Pay rates authorized by					
Payroll records prepared by					
Payroll checks prepared by					
Payroll distributed by					
Authorizes capital expenditures					
Authorizes disposals of fixed assets					
Maintains detail fixed asset records					
Maintains custody of title documents					

**RECEIPTS**

1. Cash receipts are deposited intact (*i.e. does the organization prohibit amounts from either being withheld from the deposit or requesting the bank to deduct cash from the deposit*).
2. Cash receipts are deposited on a daily basis.
3. The individual(s) who open the mail make a log of cash receipts (*a simple list of individual receipts to establish control and document what was received*), including notation of any restrictions before the cash or documentation is routed to others.

**Responsible Personnel**      **Yes**      **No**      **N/A**

_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

	<b><u>Responsible Personnel</u></b>	<b><u>Yes</u></b>	<b><u>No</u></b>	<b><u>N/A</u></b>
4. A restrictive endorsement (“For Deposit Only”) is placed/stamped on all checks when received.	_____	_____	_____	_____
5. Prenumbered receipt forms, which include acknowledgment of any restrictions, are issued for receipts and donated materials received and the numerical sequence is accounted for.	_____	_____	_____	_____
6. Prenumbered receipt forms and special event tickets are safeguarded and accounted for.	_____	_____	_____	_____
7. Voided receipt forms are adequately defaced and retained.	_____	_____	_____	_____
8. Lock-box (or cashiering) services are used to control access to mail receipts from major fundraising campaigns and membership drives.	_____	_____	_____	_____
9. Sealed containers or remittance envelopes are used to control direct solicitation collections until they are counted and recorded.	_____	_____	_____	_____
10. Collection containers are controlled, such as by individual numbering, and they are safeguarded and accounted for. <i>(Note: This control is usually established by organizations which place collection containers in the community)</i>	_____	_____	_____	_____
11. Distribution of collection containers is documented so that each container is traceable.	_____	_____	_____	_____
12. Remittance envelopes and other material and identification used for direct solicitation are safeguarded and accounted for.	_____	_____	_____	_____
13. A schedule is used to ensure that collection containers are timely retrieved and that containers not retrieved are investigated.	_____	_____	_____	_____
14. The contents of collection containers and/or remittance envelopes are counted and recorded in the presence of at least two persons.	_____	_____	_____	_____

**RECEIVABLES**

1 Receipts on accounts are posted to an accounts receivable subsidiary ledger.	_____	_____	_____	_____
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	<u>Responsible Personnel</u>	<u>Yes</u>	<u>No</u>	<u>N/A</u>
2. Receipt of payments on receivables are documented, such as by receipt forms or notations on pledge forms.	_____	_____	_____	_____
3. An analysis of aged pledges receivable is reviewed at least monthly by a person independent of the functions of handling and recording of cash receipts. <i>(Note: Not-for-profit organizations are allowed to record the value of pledges receivable, less the amount estimated as uncollectible in their financial statements)</i>	_____	_____	_____	_____
4. Records of pledges written off are documented and kept on file.	_____	_____	_____	_____
5. A policy statement defines the circumstances under which delinquent pledges are to be enforced or written off.	_____	_____	_____	_____
<b>DISBURSEMENTS</b>				
1. The governing board authorizes all bank accounts and check signers.	_____	_____	_____	_____
2. Dual signatures required on all checks.	_____	_____	_____	_____
3. The bank is immediately notified of all changes of authorized check signers.	_____	_____	_____	_____
4. Cash disbursements are made by check (except for petty cash).	_____	_____	_____	_____
5. Cash disbursements are supported by vendors' or other external documents	_____	_____	_____	_____
6. Vendor invoices, or other documents, indicate the date that goods or services were received.	_____	_____	_____	_____
7. Unpaid vendor invoices are filed separately from paid invoices.	_____	_____	_____	_____
8. All invoices are approved for payment by a responsible officials.	_____	_____	_____	_____
9. For disbursements that require special approval of the governing board, their approval is adequately documented.	_____	_____	_____	_____

	<b><u>Responsible Personnel</u></b>	<b><u>Yes</u></b>	<b><u>No</u></b>	<b><u>N/A</u></b>
10. Vendor invoices are recalculated prior to checks being prepared.	_____	_____	_____	_____
11. All supporting documents are canceled to prevent duplicate payment.	_____	_____	_____	_____
12. A log or other notation is made of purchases that include a contribution element.	_____	_____	_____	_____
13. Checks are signed only when supported by approved invoices (not signed in advance).	_____	_____	_____	_____
14. Check signers compare data on supporting documents to checks presented for their signatures.	_____	_____	_____	_____
15. Check signers examine appropriate approval on supporting documents before signing checks.	_____	_____	_____	_____
16. Checks are prenumbered and accounted for.	_____	_____	_____	_____
17. Voided checks are adequately defaced and are easily accessible for review.	_____	_____	_____	_____
18. The practice of cashing checks out of cash receipts is prohibited.	_____	_____	_____	_____
19. Bank transfers are approved, recorded and verified to ascertain that both sides of the transaction are recorded	_____	_____	_____	_____
20. A policy exists which documents the rationale used to allocate expenses among functions, grants, or contracts.	_____	_____	_____	_____
<b>PAYROLL AND PERSONNEL</b>				
1. A payroll journal is prepared and balanced.	_____	_____	_____	_____
2. Payroll disbursements are made by check.	_____	_____	_____	_____
3. Employees' time records are maintained.	_____	_____	_____	_____
4. W-4 forms are maintained.	_____	_____	_____	_____
5. Employees' earnings records are maintained.	_____	_____	_____	_____

	<b><u>Responsible Personnel</u></b>	<b><u>Yes</u></b>	<b><u>No</u></b>	<b><u>N/A</u></b>
6. Adequate records are maintained to allow allocation of payroll costs to functions (including lobbying activities), specific grants and contracts.	_____	_____	_____	_____
7. Written procedures exist for appropriate allocation of expenses to those related to the organization's purpose and those that are used to generate unrelated business income.	_____	_____	_____	_____
8. Time sheets or cards are prepared by employees.	_____	_____	_____	_____
9. Payroll checks are prenumbered and accounted for.	_____	_____	_____	_____
10. Checks are recorded in the payroll journal as prepared.	_____	_____	_____	_____
11. Payroll journals are posted at least monthly to employees' earnings records.	_____	_____	_____	_____
12. Time cards are approved by a director or manager.	_____	_____	_____	_____
13. An impress payroll bank account is used.	_____	_____	_____	_____
14. Unclaimed payroll checks are followed up on by the board of directors or their designee.	_____	_____	_____	_____

**ACCOUNTING SYSTEM**

1. Bank accounts are reconciled monthly.	_____	_____	_____	_____
2. A balancing cash receipts journal is maintained and includes notation of any donor-imposed restrictions.	_____	_____	_____	_____
3. A balancing cash disbursements journal is maintained for each bank account.	_____	_____	_____	_____
4. A purchases journal is maintained.	_____	_____	_____	_____
5. The accounting system identifies and captures payments which satisfy donor-imposed				

	<b><u>Responsible Personnel</u></b>	<b><u>Yes</u></b>	<b><u>No</u></b>	<b><u>N/A</u></b>
restrictions.	_____	_____	_____	_____
6. The accounting system captures information necessary either to identify the function for which each expense is incurred or to allocate each expense incurred among appropriate functions.	_____	_____	_____	_____
7. Recorded contributions and grants are compared to approved budgets and significant variances are investigated by a responsible official.	_____	_____	_____	_____
8. Contributions and grants that can reasonably be estimated are budgeted.	_____	_____	_____	_____
9. Documentation, including all correspondence, is maintained for each restricted contribution or grant.	_____	_____	_____	_____
10. An impress petty cash fund is utilized and reconciled periodically.	_____	_____	_____	_____
11. Prenumbered purchase requisitions and/or purchase orders are prepared as authorization for purchases.	_____	_____	_____	_____
12. For reimbursement type grants and contracts, reimbursements requested and received are reconciled at least monthly, and a responsible official investigates differences.	_____	_____	_____	_____

**GOVERNMENT PROGRAMS**

1. Accounting policies and procedures are adequate to maintain separate records of the receipts and expenditures related to each grant or award.	_____	_____	_____	_____
2. Expenditures for each grant or award are recorded according to each of the organization's budget categories.	_____	_____	_____	_____
3. Government funds are deposited in separate bank accounts or controlled separately, as required.	_____	_____	_____	_____
4. Requests for advances and reimbursements are approved by an appropriate official.	_____	_____	_____	_____



	<b><u>Responsible Personnel</u></b>	<b><u>Yes</u></b>	<b><u>No</u></b>	<b><u>N/A</u></b>
5. Procedures have been established to ensure that individuals are not discriminated against on the grounds of race, color, national origin, age, or handicap.	_____	_____	_____	_____
6. Policies have been established and distributed to employees that help ensure a drug-free workplace.	_____	_____	_____	_____
7. A time schedule for financial reports is maintained to ensure timely filing.	_____	_____	_____	_____
8. Financial reports, before they are filed, are reconciled to accounting records.	_____	_____	_____	_____
9. Policies that are specific to government programs are communicated to the organization's personnel.	_____	_____	_____	_____
10. Policies and procedures have been established to obtain prior approval of certain costs from the granting agency, as required by OMB Circular No. A-122, "Cost Principles for Nonprofit Organizations."	_____	_____	_____	_____
11. Policies and procedures have been established to ensure that individuals or organizations receiving benefits are eligible under the specific requirements of the programs.	_____	_____	_____	_____
12. For programs with matching or earmarking requirements, policies and procedures have been established to ensure that the limits have been met in accordance with applicable laws and regulations.	_____	_____	_____	_____
13. Cash management procedures, such as cash flow projections, are employed to help ensure a minimum time lapse between receipt of funds and the disbursement.	_____	_____	_____	_____
14. Costs charged directly or indirectly to grants are reviewed by a responsible official for compliance with regulations or agreements (including consideration of whether federal funds are used for partisan political activity).	_____	_____	_____	_____

	<b><u>Responsible Personnel</u></b>	<b><u>Yes</u></b>	<b><u>No</u></b>	<b><u>N/A</u></b>
15. Policies and procedures have been established to prevent charging grants for unreimbursable items, such as bad debt expenses, fines and penalties, interest, fund-raising, and financial costs.	_____	_____	_____	_____

**DONATED/IN-KIND SERVICES/MATERIALS**

1. Records (time sheets or other documentation) are maintained indicating the number of hours, type, value, and valuation method of donated/in-kind services. Records are certified by a responsible official.	_____	_____	_____	_____
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2. Records are maintained indicating the type, value, and valuation method of donated/in-kind materials.	_____	_____	_____	_____
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3. Records are maintained of donated/in-kind facilities received. <i>(This control is usually established when the not-for-profit organization is required to report the value of donated facilities in its financial statements to meet generally accepted accounting principles)</i>	_____	_____	_____	_____
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4. A policy statement defines the methods used for determining the values assigned to donated material.	_____	_____	_____	_____
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5. Donated material is inspected when received.	_____	_____	_____	_____
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6. Donated material is adequately safeguarded from unauthorized personnel.	_____	_____	_____	_____
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7. Use of donated material is approved by appropriate personnel.	_____	_____	_____	_____
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**FIXED ASSETS**

1. An annual physical inventory is taken and adequate count records (tags or sheets) are maintained.	_____	_____	_____	_____
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2. Adequate records of fixed assets costs and depreciation records are maintained.	_____	_____	_____	_____
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	<b><u>Responsible Personnel</u></b>	<b><u>Yes</u></b>	<b><u>No</u></b>	<b><u>N/A</u></b>
3. Written capitalization policies have been established by the board of directors	_____	_____	_____	_____
4. Perpetual records are periodically reconciled to the general ledger by an independent person.	_____	_____	_____	_____

**GENERAL CONTROLS**

1. When hiring individuals who will be involved with handling of incoming mail or the handling or recording of cash receipts, a responsible official checks applicants' references and otherwise attempts to evaluate their integrity.	_____	_____	_____	_____
2. Solicitation material describes solicitor identification and notifies the donor to expect a prenumbered receipt.	_____	_____	_____	_____
3. The governing board receives frequent reports on the collection status of major pledges and pending grant applications.	_____	_____	_____	_____
4. The director or manager investigates customer complaints.	_____	_____	_____	_____
5. Vendors are reviewed by a responsible official to identify potential conflict of interest situations.	_____	_____	_____	_____
4. The governing board receives frequent reports of purchases from, and distributions to, related parties.	_____	_____	_____	_____