

10/21/2018



SPHM  
HOSPITALITY

## HOTEL INCOME MANAGEMENT POLICY



By: | Agustinus Agus Purwanto, SE MM

# SPHM Hospitality Management Control System

## Checklist

### Table of Contents

I. BUDGETS AND PLANNING.....	1
A) SEGREGATION OF DUTIES.....	1
B) PROCEDURAL CONTROLS .....	1
II. CASH .....	3
A) SEGREGATION OF DUTIES.....	3
B) PROCEDURAL CONTROLS .....	3
III. INVESTMENTS.....	6
A) SEGREGATION OF DUTIES.....	6
B) PROCEDURAL CONTROLS .....	6
IV. REVENUES AND RECEIVABLES .....	8
A) SEGREGATION OF DUTIES.....	8
B) PROCEDURAL CONTROLS .....	8
C) BILLING/REMITTANCE VERIFICATION .....	8
V. GRANT AND ENTITLEMENT MONITORING.....	11
A) GRANTS .....	11
B) ENTITLEMENT .....	11
VI. CAPITAL ASSETS.....	12
A) SEGREGATION OF DUTIES.....	12
B) PROCEDURAL CONTROLS .....	12
VII. PROCUREMENT AND PAYABLES .....	15
A) SEGREGATION OF DUTIES.....	15
B) PROCEDURAL CONTROLS .....	15
VIII. EMPLOYEE COMPENSATION.....	20
A) SEGREGATION OF DUTIES.....	20
B) PROCEDURAL CONTROLS .....	20
IX. ELECTRONIC DATA PROCESSING.....	23
A) SEGREGATION OF DUTIES.....	23
B) PROCEDURAL CONTROLS .....	23
X. FINANCIAL REPORTING .....	25
A) SEGREGATION OF DUTIES.....	25
B) PROCEDURAL CONTROLS .....	25

SPHM Hospitality Management Control System  
Checklist

INTERNAL CONTROL CHECKLIST

**INVENTORY of SPECIFIC AREAS FOR STUDY AND EVALUATION of FINANCIAL ACCOUNTING  
INTERNAL CONTROLS**

Although this is an extensive inventory of financial accounting areas frequently requiring specific internal controls, the inventory is not represented as being all-inclusive. You should also recognize there is little likelihood procedures in all these areas would be desirable in any one-state agency.

The internal controls contained in this inventory were compiled from various sources, including the 1986 revision of "Audits of State and Local Governmental Units", by the State and Local Government Committee of the American Institute of Certified Public Accountants (AICPA). **Therefore, the control procedures listed approximate control procedures external and internal auditors should expect to find in applicable situations.**

## Management Control System Checklist

**N/A    YES    NO    COMMENTS/REF**

### I. BUDGETS AND PLANNING

#### A) SEGREGATION OF DUTIES

- 1) Are responsibilities for budget preparation, adoption, execution, and reporting each assigned to different staff members?

\_\_\_\_\_

#### B) PROCEDURAL CONTROLS

- 1) Do personnel responsible for budget preparation:
  - a) Have an awareness of budgets and budgetary procedures required by law?
  - b) Prepare budgets for all significant activities regardless of whether mandated by law?
  - c) Prepare a budget calendar to provide orderly submission and to obtain approval of the budget?
  - d) Develop and prepare initial budget submissions by major departments and activity centers?
  - e) Obtain review of departmental budgets by the finance or budget officer, make corrections of oversights by departments, and integrate budgets with agency executive's goals and objectives?
  - f) Prepare the budget in sufficient detail to provide a meaningful tool with which to monitor subsequent performance (as established by the Strategic Plan)?
  - g) Budget inter-fund and inter-departmental transfers, if appropriate?
- 2) Do personnel responsible for budget adoption:
  - a) Hold budget hearings to obtain citizen input, if appropriate?
  - b) Submit the budget through the proper executive channels to the applicable legislative body for approval?
  - c) Clearly communicate to operating departments the effects of legislative budget modification mandates (increases or decreases)?
  - d) Coincident with adoption of the budget, make sure action is taken by the legislature, as appropriate, to:
    - (1) Adopt legislation to implement the raising of budgeted revenues?
    - (2) Initiate expenditure appropriations?
  - e) Record in the accounting system estimated revenues and appropriations, for later comparison to actual amounts realized or incurred as appropriate?
  - f) Record in the accounting system budgets approved by grantors in connection with grant activity?
  - g) Publish finalized budgets, when required by law?
- 3) Do the personnel responsible for budget execution:
  - a) Formally adopt and communicate procedures establishing authority and responsibility for transfers between budget categories?
  - b) Use an allotment system to control the flow of expenditures or commitments?
  - c) Obtain approval from the accounting department as to the availability of funds, before issuing a purchase order or

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

## Management Control System Checklist

	<u>N/A</u>	<u>YES</u>	<u>NO</u>	<u>COMMENTS/REF</u>
making an expenditure commitment?				
d) Process and obtain approval of requests for supplemental appropriations for budget changes as required by law?	_____	_____	_____	_____
e) Establish controls to ensure knowledge of outstanding commitments when liabilities and expenditures are recorded on an encumbrance or obligation basis?	_____	_____	_____	_____
4) Do personnel responsible for budget reporting:				
a) Compare actual expenditures to budget with reasonable frequency (monthly) and on a timely basis?	_____	_____	_____	_____
b) Discuss budget reports with departmental personnel, obtaining explanations for significant variations from budget?	_____	_____	_____	_____
c) Provide timely notification, to both the executive and the legislative branches, of expenditures in excess of appropriations or budget?	_____	_____	_____	_____
d) Publish comparisons of actual results of operations against the budget?	_____	_____	_____	_____
	_____	_____	_____	_____

## Management Control System Checklist

N/A    YES    NO    COMMENTS/REF

### II.CASH

#### A) SEGREGATION OF DUTIES

- 1) Are responsibilities for collection and deposit preparation functions adequately segregated from those for recording cash receipts and general ledger entries? \_\_\_\_\_
- 2) Are responsibilities for cash receipts functions adequately segregated from those for cash disbursements? \_\_\_\_\_
- 3) Are responsibilities for disbursement preparation and disbursement approval functions adequately segregated from those for recording or entering cash disbursements information on the general ledger? \_\_\_\_\_
- 4) Are responsibilities for the disbursement approval function adequately segregated from those for the disbursement, voucher preparation, and purchasing functions? \_\_\_\_\_
- 5) Are responsibilities for entries in the cash receipt and disbursement records adequately segregated from those for general ledger entries? \_\_\_\_\_
- 6) Are responsibilities for preparing and approving bank account reconciliations adequately segregated from those for other cash receipt or disbursement functions? \_\_\_\_\_
- 7) If EDP is used, is the segregation of duties principle maintained within processing activities? \_\_\_\_\_

#### B) PROCEDURAL CONTROLS

- 1) Do collections procedures provide for the following?
  - a) Timely deposits of all receipts? \_\_\_\_\_
  - b) Controls at each collection location, to assure timely deposit and accurate recording of collections?
    - (i) Mail opened by two people or at least segregated? \_\_\_\_\_
    - (ii) Remittances by mail listed in duplicate at the time the mail is opened?
      - (a) Listing prepared by a person other than the one opening the mail? \_\_\_\_\_
      - (b) One copy of the listing forwarded, with the money, to the cashier? \_\_\_\_\_
      - (c) Other copy attached as supporting documentation to the accounting transaction? \_\_\_\_\_
      - (d) A third person periodically comparing the list with the deposit record? \_\_\_\_\_
    - (iii) Amounts of currency contained in each item of mail verified by a second person? \_\_\_\_\_
    - (iv) Documents enclosed with currency machine date stamped or dated and initialed by the employee opening the mail? \_\_\_\_\_
    - (v) A secure area provided for processing and safeguarding incoming cash receipts?
      - (a) Access to the secured area restricted to authorized personnel, only? \_\_\_\_\_
      - (b) The secured area locked, when not occupied? \_\_\_\_\_
    - (vi) Cash protected by using registers, safes, or locks and kept in areas of limited access? \_\_\_\_\_
  - c) Timely notice of cash receipts at separate collection locations given to a central accounting department? \_\_\_\_\_

## Management Control System Checklist

	<u>N/A</u>	<u>YES</u>	<u>NO</u>	<u>COMMENTS/REF</u>
(i) Cash received at branch locations transmitted to the central office or to the State Treasurer through the banking system?	_____	_____	_____	_____
(ii) Branch personnel restricted to making cash deposits, only?	_____	_____	_____	_____
d) Daily reported receipts at separate collection locations compared to records of a general accounting department?	_____	_____	_____	_____
e) Restrictive endorsements placed on incoming checks as soon as received?	_____	_____	_____	_____
f) "Not sufficient funds" checks delivered to someone independent of those processing and recording cash receipts or reconciling cash/bank statements?	_____	_____	_____	_____
g) Established procedures for follow-up of "not sufficient" checks?	_____	_____	_____	_____
h) If checks received are forwarded to be used as posting media to customers' accounts, controls to ensure checks are returned promptly for deposit?	_____	_____	_____	_____
i) If payments are made in person, receipts controlled by cash register, prenumbered receipts, or other equivalent means?	_____	_____	_____	_____
j) Receipts accounted for and balanced to collections records daily?	_____	_____	_____	_____
k) Prenumbered forms accounted for , including a record of voided forms?	_____	_____	_____	_____
l) Facilities for protecting undeposited cash receipts?	_____	_____	_____	_____
m) Adequate records maintained to assure correct handling and final disposition of items held in suspense?	_____	_____	_____	_____
(i) Suspense accounting eliminated by direct deposit of money to the correct fund, as much as possible?	_____	_____	_____	_____
(ii) Delay of deposits avoided by making sure fund distribution is immediately determinable?	_____	_____	_____	_____
2) Do disbursements procedures provide for the following?	_____	_____	_____	_____
a) Control over warrant, sight draft, or check-signing machines, as to signature plates and usage?	_____	_____	_____	_____
b) Procedures providing for immediate notification, as applicable, to banks, State Treasurer, and State Controller, when warrant or check signers leave the unit or are otherwise no longer authorized to sign?	_____	_____	_____	_____
c) Furnishing invoices and supporting documents to the signer prior to signing the warrant or check to help assure funds are disbursed only for authorized purposes; and to help assure laws, rules, and regulations are followed?	_____	_____	_____	_____
d) Setting reasonable limits on amounts payable by facsimile signature?	_____	_____	_____	_____
e) Requiring two signatures on warrants or checks over a stated amount?	_____	_____	_____	_____
f) Maintaining signature plates in the custody of the person whose facsimile signature is on the plate, when the plate is not in use?	_____	_____	_____	_____
g) Using plates only under the signer's control and recording of machine reading by the signer or an appropriate designee, to ascertain all signed warrants, sight drafts, or checks are properly accounted for by comparison to document control totals?	_____	_____	_____	_____

## Management Control System Checklist

	<u>N/A</u>	<u>YES</u>	<u>NO</u>	<u>COMMENTS/REF</u>
h) Direct delivery to the mail room of signed warrants or checks, making them inaccessible to persons who requested, prepared, or recorded them?	_____	_____	_____	_____
i) Prohibiting the drawing of warrants or checks to "cash" or "bearer"?	_____	_____	_____	_____
j) Controls to ensure all payments are made on a timely basis and in accordance with all purchase orders and contracts?	_____	_____	_____	_____
k) Controls to ensure duplicate payments are not made?	_____	_____	_____	_____
(i) Are original invoices (no copies) totaling the amount of the disbursement attached to each voucher before payment?	_____	_____	_____	_____
l) Controls to ensure each cash disbursement is properly vouchered and approved by the proper authorities before the disbursement occurs?	_____	_____	_____	_____
3) Do custody procedures provide for the following?	_____	_____	_____	_____
a) Maintenance of controls over the supply of unused and voided warrants or checks?	_____	_____	_____	_____
(i) Are monthly physical inventories taken of blank stock by the custodian and a responsible supervisor?	_____	_____	_____	_____
b) Proper authorization of bank accounts?	_____	_____	_____	_____
c) Periodic reviews of and formal reauthorization of depositories?	_____	_____	_____	_____
d) Controls and physical safeguards surrounding petty cash funds?	_____	_____	_____	_____
e) Maintenance of adequate fidelity insurance coverage?	_____	_____	_____	_____
f) Maintenance of separate bank accounts for each fund, or if not adequate, adequate fund control over pooled cash?	_____	_____	_____	_____
4) Do detail accounting procedures include the following?	_____	_____	_____	_____
a) Procedures ensuring collections and disbursements are recorded accurately and promptly in the correct fund or account?	_____	_____	_____	_____
b) Procedures for authorizing and recording inter-bank and inter-fund transfers and providing for proper accounting for those transactions?	_____	_____	_____	_____
5) Do general ledger procedures provide for the following?	_____	_____	_____	_____
a) Delivery of bank statements and paid warrants or checks in unopened envelopes directly to the employee preparing the reconciliation?	_____	_____	_____	_____
b) Procedures for steps essential to an effective reconciliation, particularly considering the following?	_____	_____	_____	_____
(i) Comparison of warrants, sight drafts, or checks in appropriate detail with disbursement records?	_____	_____	_____	_____
(ii) Examination of signature and endorsements, at least on a test basis?	_____	_____	_____	_____
(iii) Accounting for numerical sequence of warrants, sight drafts, or checks used?	_____	_____	_____	_____
(iv) Comparison of book balances used in reconciliations with balances in general ledger accounts?	_____	_____	_____	_____
(v) Comparison of deposit amounts and dates with cash receipt entries?	_____	_____	_____	_____
(vi) Footing of cash books?	_____	_____	_____	_____
c) Review and approval of all reconciliations and investigation of unusual reconciling items by an official not responsible for receipts and disbursements, including	_____	_____	_____	_____



## Management Control System Checklist

	<u>N/A</u>	<u>YES</u>	<u>NO</u>	<u>COMMENTS/REF</u>
recording evidence of the review and approval, by signing the reconciliation?	_____	_____	_____	_____
d) Periodic investigation of checks outstanding for a considerable time?	_____	_____	_____	_____
	_____	_____	_____	_____
	_____	_____	_____	_____

### III. INVESTMENTS

#### A) SEGREGATION OF DUTIES

1) Are responsibilities for initiating, evaluating, and approving transactions adequately segregated from those for detail accounting, general ledger, and other related functions?	_____	_____	_____	_____
2) Are responsibilities for initiating transactions adequately segregated from those for final approvals committing state resources?	_____	_____	_____	_____
3) Are responsibilities for monitoring investment market values and performance adequately segregated from those for investment acquisition?	_____	_____	_____	_____
4) Are responsibilities for maintaining detail accounting records adequately segregated from those for general ledger entries?	_____	_____	_____	_____
5) Are custodial responsibilities for securities or other documents evidencing ownership or other rights assigned to an official with no accounting duties?	_____	_____	_____	_____
6) If EDP is used, is the principle of segregation of duties maintained within processing activities?	_____	_____	_____	_____

#### B) PROCEDURAL CONTROLS

1) Do approval procedures include the following?				
a) If applicable, procedures adequate to ensure only investments permitted by law are acquired?	_____	_____	_____	_____
b) Formal establishment and periodic review of investment policy guidelines?	_____	_____	_____	_____
c) Integration of the investment program with the cash management program and with expenditure requirements?	_____	_____	_____	_____
d) Established authority and responsibility for investment-opportunity evaluation and purchase?	_____	_____	_____	_____
e) Periodic evaluation of the performance of the investment portfolio by persons independent of investment portfolio management activities?	_____	_____	_____	_____
(i) Also verification all income due from investments has been received?	_____	_____	_____	_____
f) Formal procedures governing the level and nature of approvals required to purchase or sell an investment?	_____	_____	_____	_____
g) Competitive bidding for certificate-of-deposit purchases?	_____	_____	_____	_____
2) Do custody procedures include the following?				
a) Adequate physical safeguards and custodial procedures over the following?	_____	_____	_____	_____

## Management Control System Checklist

	<u>N/A</u>	<u>YES</u>	<u>NO</u>	<u>COMMENTS/REF</u>
(i) Negotiable and nonnegotiable securities owned?				
(ii) Legal documents or agreements evidencing ownership or other rights?				
b) Dual signatures or authorizations to obtain release of securities from safekeeping or to obtain access to the governmental unit's safe deposit box?				
c) Authorization, by the legislative body, of persons with access to securities?				
d) Registering all securities in the name of the governmental unit?				
e) Periodic inspection or confirmation of securities from safekeeping agents?				
f) Bonding of individuals with access to securities?				
3) Do detail accounting procedures include the following?				
a) Maintenance of detail accounting records for investments				
(i) by the investment department?				
(ii) by the accounting department?				
b) Procedures to ensure transactions arising from investments are properly processed, including income and amortization entries, if applicable?				
c) Controls to ensure investment earnings are credited to the fund from which resources for the investment were provided?				
d) A periodic comparison between income received and the amount specified by the terms of the security, or from publicly available investment information?				
e) Controls to ensure transactions are recorded on a timely basis?				
4) Do general ledger procedures include the following?				
a) Reconciling the detail accounting records with the general ledger control?				
b) Periodic review of the nature of investments included in general ledger balances?				

## Management Control System Checklist

N/A    YES    NO    COMMENTS/REF

### IV. REVENUES AND RECEIVABLES

#### A) SEGREGATION OF DUTIES

- |  |       |       |       |  |
|--|-------|-------|-------|--|
| 1) Are responsibilities for billing for services and fees adequately segregated from those for collection and accounting?  | _____ | _____ | _____ |  |
| 2) Are responsibilities for maintaining detail accounts receivable records adequately segregated from those for collection and general ledger posting?                 | _____ | _____ | _____ |  |
| 3) Are responsibilities for collection, control, credit issuance, and deposit of funds activities adequately segregated from those for maintaining accounting records? | _____ | _____ | _____ |  |
| 4) Are tax assessment rolls, etc., maintained by individuals not engaged in any accounting or collection function?   | _____ | _____ | _____ |  |
| 5) Are responsibilities for entries in the cash receipts records adequately segregated from those for general ledger entries?  | _____ | _____ | _____ |  |
| 6) If EDP is used, is the principle of segregation of duties maintained within processing activities?  | _____ | _____ | _____ |  |

#### B) PROCEDURAL CONTROLS

- |   |       |       |       |  |
|---|-------|-------|-------|--|
| 1) Do procedures for sales, income, and other taxes include the following?  |       |       |       |  |
| a) Cross-referencing returns filed against a database of previous taxpayers?  |       |       |       |  |
| b) Organization and integration of the records in such a fashion that probable taxpayers are identified as a result of reporting of other governmental activities, such as licensing? | _____ | _____ | _____ |  |
| 2) Do procedures for license, fees, and permits include the following?  | _____ | _____ | _____ |  |
| a) If annual payments are involved, procedures to ensure previous year's records are properly updated for new registrants and withdrawals?  |       |       |       |  |
| b) Use of the updated records as the basis for billing persons subject to payment?  | _____ | _____ | _____ |  |
| 3) Do procedures for fines, forfeitures, and court fees include the following?  | _____ | _____ | _____ |  |
| a) Maintaining and using court and other records of payments due as a basis for collections?  |       |       |       |  |
| b) Control of issuance and disposition of fee notices, to ensure amounts due are assessed and collected?  | _____ | _____ | _____ |  |
| 4) Do procedures for enterprise and other service revenues include the following?   | _____ | _____ | _____ |  |
| a) Controls to provide assurance customer database and, where appropriate, usage records are accurately maintained to ensure amounts due are billed?                                  |       |       |       |  |

#### C) BILLING/REMITTANCE VERIFICATION

- |  |       |       |       |  |
|--|-------|-------|-------|--|
| 1) Do procedures for sales, income, and other taxes include the following?   |       |       |       |  |
| a) Reviewing returns for mathematical accuracy?  |       |       |       |  |
| b) Correlating current year's taxpayer returns with prior year's returns and accounting for and reviewing differences? | _____ | _____ | _____ |  |
| c) Separately reviewing and approving claims for refund?   |       |       |       |  |

## Management Control System Checklist

	<u>N/A</u>	<u>YES</u>	<u>NO</u>	<u>COMMENTS/REF</u>
d) Auditing returns filed, to provide reasonable assurance taxable income is properly recorded?	_____	_____	_____	_____
2) Do procedures for licenses, fees, and permits include the following?	_____	_____	_____	_____
a) Comparing current year receipts to those for prior years and having senior officials review explanations of variation?	_____	_____	_____	_____
3) Do procedures for fines, forfeitures, and court fees include the following?	_____	_____	_____	_____
a) Correlating amounts collected with records of court proceedings?	_____	_____	_____	_____
b) Sequentially numbering and satisfactorily accounting for all fine/fee-assessment documents?	_____	_____	_____	_____
4) Do procedures for enterprise and other service revenues include the following?	_____	_____	_____	_____
a) Service readings performed in a timely fashion, if billing is based on usage?	_____	_____	_____	_____
b) Periodically rotating service-measurement readers?	_____	_____	_____	_____
c) Billing procedures providing for identification and investigation of unusual patterns of use?	_____	_____	_____	_____
5) Do general procedures include the following?	_____	_____	_____	_____
a) Prompt billing of service fees, taxes, etc?	_____	_____	_____	_____
(i) Providing for an independent verification of quantities, prices, and clerical accuracy of billing invoices?	_____	_____	_____	_____
b) Procedures designed for other revenue areas ensuring timely payment of amounts due?	_____	_____	_____	_____
c) Periodic review and approval by the legislative body of the rates of taxes, fines, fees, and services?	_____	_____	_____	_____
d) Periodic review and approval by the legislative body of programs of tax exemption or relief?	_____	_____	_____	_____
e) Authorization by the legislative body of utility rate schedules, as applicable?	_____	_____	_____	_____
f) Procedures providing for timely notification to the accounting department at the time billings or claims are prepared and rendered?	_____	_____	_____	_____
g) Numerical batch-processing controls over billings?	_____	_____	_____	_____
h) Controls over the billing of miscellaneous revenues?	_____	_____	_____	_____
i) Procedures to prevent interception or alteration by unauthorized persons of billings or statements after preparation, but before mailing?	_____	_____	_____	_____
j) Prompt investigation of disputes with billing amounts, reported by taxpayers or service recipients, by an individual independent of receivables record keeping?	_____	_____	_____	_____
k) Controls providing reasonable assurances restricted revenues are expended only for restricted purposes?	_____	_____	_____	_____
l) Protecting records of receivables from destruction and unauthorized access?	_____	_____	_____	_____
m) Monthly balancing of control accounts with detailed ledgers?	_____	_____	_____	_____
n) Providing and accounting for prenumbered credit memorandum forms?	_____	_____	_____	_____
6) Do collection procedures include the following?	_____	_____	_____	_____
a) Placing a restrictive endorsement on incoming checks as soon as received?	_____	_____	_____	_____
b) Controls providing reasonable assurances interest and	_____	_____	_____	_____

## Management Control System Checklist

	<u>N/A</u>	<u>YES</u>	<u>NO</u>	<u>COMMENTS/REF</u>
penalties are properly charged on delinquent taxes, fees, or charges for service?	_____	_____	_____	_____
c) Controls surrounding the collection, timely deposit, and recording of collections in the accounting records at each collection location?	_____	_____	_____	_____
d) Timely notice of cash receipts from separate collection centers to general accounting department?	_____	_____	_____	_____
e) If payments are made in person, use of prenumbered receipts for payment; and accounting for and balancing such receipts to collections?	_____	_____	_____	_____
f) Segregation and timely remittance of amounts collected on behalf of other governments or other governmental units?	_____	_____	_____	_____
g) Monitoring taxes and fees collected by another governmental unit to assure timely receipt and reviewing amounts received for reasonableness?	_____	_____	_____	_____
h) Are receivable amounts aged monthly and reviewed by authorized personnel?	_____	_____	_____	_____
(i) Do you review delinquent accounts and take prompt action to collect or consider them for write-off on a timely basis?	_____	_____	_____	_____
(ii) Are write-offs or other reductions of receivables formally approved by senior officials not involved in the collection function?	_____	_____	_____	_____
(iii) Are procedures provided for executing all possible legal remedies to collect written-off or uncollectible accounts, including tax-sale of property, liens, etc?	_____	_____	_____	_____
7) Do accounts receivable record keeping procedures include the following?	_____	_____	_____	_____
a) Controls in system to ensure individual receivable records are posted only from authorized source documents?	_____	_____	_____	_____
b) Reconciling the aggregate collections on accounts receivable against postings to individual receivable accounts?	_____	_____	_____	_____
c) Where appropriate (for example, in proprietary funds), are statements of account balance mailed on a timely basis?	_____	_____	_____	_____
d) Periodic review of receivable accounts for credit balances?	_____	_____	_____	_____
8) Do general ledger procedures include the following?	_____	_____	_____	_____
a) Regular preparation of trial balances of individual receivable accounts?	_____	_____	_____	_____
b) Reconciliation of trial balances with general ledger control accounts and investigation of reconciling items by other than accounts receivable clerks?	_____	_____	_____	_____
c) Periodic review of aged accounts receivable balances by supervisory personnel?	_____	_____	_____	_____
d) Timely and direct notification to the accounting department of billings and collection activity?	_____	_____	_____	_____
	_____	_____	_____	_____
	_____	_____	_____	_____
	_____	_____	_____	_____

## Management Control System Checklist

N/A    YES    NO    COMMENTS/REF

### V. GRANT AND ENTITLEMENT MONITORING

#### A) GRANTS

- 1) Has the agency properly assigned responsibility for monitoring grant activities? \_\_\_\_\_
- 2) Does the agency have a central grants monitoring activity? \_\_\_\_\_
- 3) Does the agency have procedures to monitor compliance with the following? \_\_\_\_\_
  - a) Financial reporting requirements? \_\_\_\_\_
  - b) Use of funds and other conditions in accordance with grant terms? \_\_\_\_\_
  - c) Timely billing of amounts due under grants? \_\_\_\_\_
- 4) Is accounting for grant activity separated from accounting for locally funded activities? \_\_\_\_\_
- 5) Does the agency have a system for obtaining grantor approval before incurring expenditures in excess of budgeted amounts or for unbudgeted expenditures? \_\_\_\_\_
- 6) Are processing of grant revenues and disbursements subject to the same degree of controls applicable to the organization's other transactions (budget, purchasing, etc.)? \_\_\_\_\_
- 7) Does standard subgrantee agreement require the subgrantee to comply with primary grant agreement conditions as well as grantee's standards? \_\_\_\_\_
- 8) Are reasonable procedures and controls in place to provide assurances of compliance with recipient eligibility requirements established by grants? \_\_\_\_\_
- 9) Has the agency established an indirect cost allocation plan if applicable? \_\_\_\_\_
  - a) Is the plan approved by federal/cognizant agency? \_\_\_\_\_

#### B) ENTITLEMENTS

- 1) Do entitlement controls include the following:
  - a) Comparison of the amount of funds received with the amount anticipated, by a responsible official, and investigation of unusual variances? \_\_\_\_\_
  - b) Procedures to ensure funds received are spent in accordance with legal requirements and spending restrictions? \_\_\_\_\_

## Management Control System Checklist

N/A    YES    NO    COMMENTS/REF

### VI. CAPITAL ASSETS

#### A) SEGREGATION OF DUTIES

- |   |       |       |       |  |
|---|-------|-------|-------|--|
| 1) Are responsibilities for initiating, evaluating, and approving capital expenditures, leases, and maintenance or repair projects adequately segregated from those for project accounting, property records, and general ledger functions? | _____ | _____ | _____ |  |
| 2) Are responsibilities for initiating capital asset transactions adequately segregated from those for final approval, or committing government resources?  | _____ | _____ | _____ |  |
| 3) Are responsibilities for the project accounting and property records functions adequately segregated from those for the general ledger function?   | _____ | _____ | _____ |  |
| 4) Are responsibilities for the project accounting and property records functions adequately segregated from those for the custodial function?  | _____ | _____ | _____ |  |
| 5) Are responsibilities for the periodic physical inventories of capital assets assigned to responsible officials having no custodial or record keeping responsibilities?   | _____ | _____ | _____ |  |
| 6) If EDP is used, is the principle of segregation of duties maintained within processing activities?   | _____ | _____ | _____ |  |

#### B) PROCEDURAL CONTROLS

- |  |       |       |       |  |
|--|-------|-------|-------|--|
| 1) Do authorization procedures and controls include the following?   |       |       |       |  |
| a) Identification of those individuals authorized to initiate capital asset transactions and clear definition of their authority?  |       |       |       |  |
| b) Guidelines with respect to key consideration, such as prices to be paid, acceptable vendors and terms, asset quality standards, and the provision of grants or bonds (if any) financing the expenditures? | _____ | _____ | _____ |  |
| c) Preparation of a separate capital projects budget?  | _____ | _____ | _____ |  |
| 2) Do executive- or legislative-approval procedures include the following?   | _____ | _____ | _____ |  |
| a) Required written executive or legislative approval for all significant capital asset projects or acquisitions?  |       |       |       |  |
| b) Procedures for authorizing, approving, and documenting sales or other dispositions of capital assets?   | _____ | _____ | _____ |  |
| c) Procedures for approving decisions regarding financing alternatives and accounting principles, practices, and methods?  | _____ | _____ | _____ |  |
| d) Procedures for obtaining grantor approval, if required, for the use of grant funds for capital asset acquisitions?  | _____ | _____ | _____ |  |
| e) Subjecting grant-funded acquisitions to the same controls as internally funded acquisitions?  |       |       |       |  |
| f) Requiring supplemental authorizations, including, if appropriate, those of the grantor agency, for expenditures in excess of originally approved amounts?   | _____ | _____ | _____ |  |
| 3) Do project accounting procedures and controls include the following?  |       |       |       |  |
| a) Engaging a qualified employee or independent firm to inspect and monitor technically complex projects?  | _____ | _____ | _____ |  |
| b) Establishing and maintaining project cost records for   |       |       |       |  |

## Management Control System Checklist

	<u>N/A</u>	<u>YES</u>	<u>NO</u>	<u>COMMENTS/REF</u>
capital expenditure and repair projects?				
c) Reporting procedures for in-progress and completed projects?	_____	_____	_____	_____
d) Procedures to identify completed projects, so timely transfers to the appropriate account can be made?	_____	_____	_____	_____
e) Review of the accounting distribution to ensure proper allocation of charges to capital asset and expenditure projects?	_____	_____	_____	_____
f) If construction work is performed by contractors, procedures to provide for and maintain control over construction projects and progress billings?	_____	_____	_____	_____
g) Exercising the right to audit contractor records during project performance?	_____	_____	_____	_____
h) Audits of contractor compliance with Equal Employment Opportunity (EEO), Davis-Bacon (Act), and other regulations and contract terms, in addition to costs?	_____	_____	_____	_____
4) Do asset accountability procedures and controls include the following?	_____	_____	_____	_____
a) Detail property records for all significant self-constructed, donated, purchased, or leased assets?				
b) Accountability for each asset?	_____	_____	_____	_____
c) Periodic inventory of documents evidencing property rights (ie; deeds, leases, etc.)?				
d) Physical safeguards over assets?				
e) Ensuring purchased materials and services for capital expenditure and repair projects are subjected to the same levels of controls as exist for all other purchases (receiving, approval, checking, etc.)?	_____	_____	_____	_____
f) Periodically comparing detail property records with existing assets?	_____	_____	_____	_____
g) Investigating differences between records and physical counts and adjusting the records to reflect shortages?				
h) Ensuring capital assets are adequately insured?	_____	_____	_____	_____
i) Subjecting lease transactions to control procedures similar to those required for other capital expenditures?	_____	_____	_____	_____
j) Properly identifying equipment by numbered tags or other means of positive identification?	_____	_____	_____	_____
k) Carrying fully depreciated assets in the accounting records as a means of providing accounting control?	_____	_____	_____	_____
l) Monitoring the appropriate disposition of property acquired with grant funds?	_____	_____	_____	_____
5) Do general ledger procedures include the following?				
a) Periodic reconciliation of the detail property records with the general ledger control accounts?	_____	_____	_____	_____
b) Accounting records, controls, and procedures to:	_____	_____	_____	_____
c) Distinguish between capital-projects fund expenditures and operating budget expenditures?	_____	_____	_____	_____
d) Identify operating budget expenditures to be capitalized as capital assets?				
e) Distinguish between capital and operating leases?	_____	_____	_____	_____
f) Govern depreciation methods and practices?				
g) When costs are charged against federal grants, depreciation policies or methods of computing allowances in accordance with standards outlined in OMB circulars or grantor agency regulations?	_____	_____	_____	_____



## Management Control System Checklist

	<u>N/A</u>	<u>YES</u>	<u>NO</u>	<u>COMMENTS/REF</u>
h) When costs are not charged against federal grants, depreciation charged to grants should be adjusted accordingly?	_____	_____	_____	_____
	_____	_____	_____	_____
i) Are the accounting records adjusted promptly (both the asset and related allowance for depreciation) when items of plant and equipment are retired, sold, or transferred?	_____	_____	_____	_____
	_____	_____	_____	_____
	_____	_____	_____	_____

## Management Control System Checklist

N/A    YES    NO    COMMENTS/REF

### VII. PROCUREMENT AND PAYABLES

#### A) SEGREGATION OF DUTIES

- 1) Are responsibilities for the requisitioning, purchasing, and receiving functions adequately segregated from those for the invoice processing, accounts payable, and general ledger functions?
- 2) Are responsibilities for the purchasing function adequately segregated from those for the requisitioning and receiving functions?
- 3) Are responsibilities for the invoice processing and accounts payable functions adequately segregated from those for the general ledger functions?
- 4) Are responsibilities for the disbursement preparation and disbursement approval functions adequately segregated from those for recording cash disbursements and general ledger entries?
- 5) Are responsibilities for the disbursement approval function adequately segregated from those for the disbursement preparation function?
- 6) Are responsibilities for entries in the cash disbursement records adequately segregated from those for general ledger entries?
- 7) If EDP is used, is the principle of segregation of duties maintained within processing activities?

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

#### B) PROCEDURAL CONTROLS

- 1) Do requisitioning procedures and controls include the following?
  - a) Initiation of purchases of goods and services by properly authorized requisitions bearing the approval of officials designated to authorize requisitions?
  - b) Using and accounting for prenumbered requisition forms?
  - c) Indicating the appropriation to be charged on the purchase requisition by the person requesting the purchase?
  - d) Before commitment, verification by the accounting and budget department sufficient unobligated funds remain under the appropriation to meet the proposed expenditure?
  - e) Having technical specifications accompanying requests for special purpose (non-stock items) materials or personal services?
- 2) Do purchasing procedures and controls include the following?
  - a) Structuring purchase authorizations to give appropriate recognition to the nature and size of purchases and to the experience of purchasing personnel?
  - b) Purchase order, contract issuance, and contract approval procedures?
  - c) Periodic review of purchase prices by a responsible employee independent of the purchasing department?
  - d) Use of competitive bidding procedures?
  - e) If practical, rotation on a regular basis of contract or purchasing officer's areas of responsibility?

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

## Management Control System Checklist

	<u>N/A</u>	<u>YES</u>	<u>NO</u>	<u>COMMENTS/REF</u>
f) In contracts for materials, services, or facilities acquired on other than a fixed-price basis, requirements for an audit of contractor's costs prior to approving for payment?	_____	_____	_____	_____
g) Procedures for public advertisement of non-stock item procurement in accordance with legal requirements?	_____	_____	_____	_____
h) Periodic review of recurring purchases and documentation of the justification for informal, rather than competitive, bids?	_____	_____	_____	_____
i) Established, documented, and distributed policies regarding conflicts of interest and acceptable business practices?	_____	_____	_____	_____
j) Issuing purchase orders and contracts under numerical or some other suitable control?	_____	_____	_____	_____
k) Obtaining an adequate number of price quotations before placing orders not subject to competitive bidding?	_____	_____	_____	_____
l) Prohibiting split orders to avoid higher levels of approval?	_____	_____	_____	_____
m) Maintenance, by the purchasing department, of price lists and other appropriate records of price quotations?	_____	_____	_____	_____
n) Maintenance of a record, by the purchasing department, of suppliers who have not met quality or other performance standards?	_____	_____	_____	_____
o) Modification of procedures for disbursement of funds under grant or loan agreements and related regulations imposing requirements differing from the organization's normal policies?	_____	_____	_____	_____
p) Controls to identify, before order entry, costs and expenditures not allowable under grant programs?	_____	_____	_____	_____
q) Maintenance of an adequate record of open purchase orders and agreements?	_____	_____	_____	_____
r) Prohibiting or adequately controlling purchases made for the accommodation of employees?	_____	_____	_____	_____
s) Considering bid and performance bonds if construction contracts are to be awarded?	_____	_____	_____	_____
t) Predetermining selection criteria for awarding personal service or construction contracts and requiring adequate documentation of the award process?	_____	_____	_____	_____
u) Subjecting changes to contracts or purchase orders to the same controls and approvals as the original agreement?	_____	_____	_____	_____
3) Do receiving procedures and controls include the following?				
a) Preparation of receiving reports for all purchased goods?	_____	_____	_____	_____
b) Procedures for filing claims against carriers or vendors for shortages or damaged materials?	_____	_____	_____	_____
c) Taking steps to ensure goods received are accurately counted and examined, to ensure they meet quality standards?	_____	_____	_____	_____
d) Maintaining a permanent record of material received by the receiving department?	_____	_____	_____	_____
e) Numerically accounting for or otherwise controlling receiving reports, to ensure all receipts are reported to the accounting department?	_____	_____	_____	_____
f) Sending copies of receiving reports directly to purchasing, accounting, and (if appropriate) inventory record keeping?	_____	_____	_____	_____
g) With respect to procurements of special-purpose	_____	_____	_____	_____

## Management Control System Checklist

	<u>N/A</u>	<u>YES</u>	<u>NO</u>	<u>COMMENTS/REF</u>
materials, services, or facilities, assigning a government technical representative to monitor and evaluate contractor performance and to approve receipt of services?	_____	_____	_____	_____
h) If a receiving department is not used, adequate procedures to ensure goods for which payment is made have been received; verification, by someone other than the individual approving payment, that goods have been received and they meet quality standards?	_____	_____	_____	_____
4) Does invoice processing include the following?				
a) Procedures and controls requiring:	_____	_____	_____	_____
(i) Copies of purchase orders and receiving reports to be obtained directly from issuing departments?	_____	_____	_____	_____
(ii) Invoice quantities, prices, and terms to be compared with those on the purchase order?	_____	_____	_____	_____
(iii) Invoice quantities to be compared with those on the receiving report?	_____	_____	_____	_____
(iv) Accuracy of calculations to be checked, as appropriate?	_____	_____	_____	_____
(v) Timely payment of invoices, to avail the entity of available discounts?	_____	_____	_____	_____
b) Receiving all invoices from vendors in a central location, such as the accounting department?	_____	_____	_____	_____
c) Procedures ensuring the accounts payable system is properly accounting for unmatched receiving reports and invoices?	_____	_____	_____	_____
d) Review and comparison of contractors' requests for progress payments under long-term contracts to contractors' efforts and results?	_____	_____	_____	_____
e) Procedures for processing invoices not involving materials or supplies (for example, lease or rental payments, utility bills, etc.)?	_____	_____	_____	_____
f) Procedures to ensure accurate account distribution of all entries resulting from invoice processing, including the following?	_____	_____	_____	_____
(i) Comparison of monthly statements with accounts payable balances?	_____	_____	_____	_____
(ii) Reconciliation of subsidiary ledgers with control accounts monthly?	_____	_____	_____	_____
g) Access to EDP master vendor file, if applicable, limited to employees authorized to make changes?	_____	_____	_____	_____
h) Maintenance by accounting department of a current list of those authorized to approve expenditures?	_____	_____	_____	_____
i) Procedures for submission and approval of reimbursement to employees for travel and other expenses?	_____	_____	_____	_____
j) Establishment of control by the accounting department over invoices received, before releasing them for departmental approval and other processing?	_____	_____	_____	_____
k) Review of the distribution of charges in the accounting department by a person competent to pass on the propriety of the distribution?	_____	_____	_____	_____
l) Review and approval of invoices (vouchers) for completeness of supporting documents and required clerical checking by a senior employee?	_____	_____	_____	_____

## Management Control System Checklist

	<u>N/A</u>	<u>YES</u>	<u>NO</u>	<u>COMMENTS/REF</u>
m) If an invoice is received from a supplier not previously dealt with, taking steps to ascertain the supplier actually exists?	_____	_____	_____	_____
n) Making payments only on the basis of original invoices?	_____	_____	_____	_____
o) Assigning responsibility for ensuring all cash discounts are taken and, if applicable, exemptions from sales, federal excise, and other taxes are claimed?	_____	_____	_____	_____
p) Referring differences in invoice and purchase order price, terms, shipping arrangements, or quantities to the purchasing department for review and approval?	_____	_____	_____	_____
q) Recording and following up on partial deliveries by the accounting department?	_____	_____	_____	_____
r) Promptly notifying the accounting and purchasing departments of returned purchases and correlating such purchases with vendor credit advices?	_____	_____	_____	_____
s) Reviewing the program and expenditure account to be charged for propriety and budget conformity?	_____	_____	_____	_____
t) Having check signers or other responsible officials determine restricted revenues are expended only for restricted purposes?	_____	_____	_____	_____
u) If applicable, procedures to ensure adjustment of the reserve for encumbrances, when invoices are prepared for payment?	_____	_____	_____	_____
5) Do disbursements procedures and controls include the following?	_____	_____	_____	_____
a) Warrants, sight drafts, and checks to be signed after disbursement has had final approval?	_____	_____	_____	_____
b) Control of warrant, sight draft, and check-signing-machine signature plates and usage?	_____	_____	_____	_____
c) Immediate notification, as applicable, to banks, State Treasurer, and State Controller, of newly authorized warrant, sight draft, and check signers?	_____	_____	_____	_____
d) Immediate notification, as applicable, when authorized signers leave the unit or are otherwise no longer authorized to sign?	_____	_____	_____	_____
e) Invoices and supporting documents furnished to the signer prior to signing the warrant, sight-draft, or check?	_____	_____	_____	_____
f) Reasonable limits set on amounts payable by facsimile signature?	_____	_____	_____	_____
g) Two signatures required on warrants, sight drafts, or checks over a stated amount?	_____	_____	_____	_____
h) Signature plates kept in the custody of the person whose facsimile signature is on the plate, when the plate is not in use and plates used only by that person?	_____	_____	_____	_____
i) Readings of signing machine controlled and recorded by the signer, or an appropriate designee, to ascertain all signed warrants, sight drafts, or checks are properly accounted for, by comparing to document control totals?	_____	_____	_____	_____
j) Invoices and supporting documents cancelled by, or in the presence of, the signer at time of signing?	_____	_____	_____	_____
k) Signed warrants, sight drafts, or checks delivered directly to the mail room, making them inaccessible to persons who requested, prepared, or recorded them?	_____	_____	_____	_____
l) Warrants, sight drafts, and checks cross-referenced to vouchers?	_____	_____	_____	_____

## Management Control System Checklist

	<u>N/A</u>	<u>YES</u>	<u>NO</u>	<u>COMMENTS/REF</u>
m) Warrants, sight drafts, and checks controlled and accounted for, with safeguards over those unused and voided?				
n) Drawing warrants, sight drafts, or checks to "cash" or "bearer" prohibited?				
o) Prompt recording of signed and issued warrants, sight drafts, and checks?				
6) Do procedures for accounts payable, encumbrances, or obligations included the following?				
a) Regular comparison of statements from vendors with recorded amounts payable?				
b) Monthly reconciliation of outstanding purchase orders to the reserve for encumbrances?				
c) Recording encumbrance entries based only on approved purchase orders?				
d) Procedures ensuring accounts payable and encumbrances are applied against the appropriate account?				
e) Procedures ensuring department heads are notified of payments made against accounts payable and encumbrances?				
7) Do general ledger procedures include the following?				
a) Regular preparation of trial balances of reserve for encumbrances and accounts payable?				
b) Checking the footing and testing the trial balances to the individual items, as well as comparing the total to the general ledger balance, by an employee other than the accounts payable clerk?				
c) Posting transactions between funds in all affected funds, in the same accounting period, and on a timely basis?				
8) Do grant- and entitlement-monitoring procedures and controls include the following?				
a) Disbursing grants only on the basis of approved applications?				
b) Defining (for example, in regulations) and communicating to grantees their reporting and compliance requirements?				
c) Procedures to monitor grantee compliance with grant terms?				
d) Subjecting financial operations of grantee to periodic and timely audit?				
e) Sufficiently timely monitoring of recipients to permit curtailment of any abuse before completing funds disbursement?				
f) Disbursing funds to grantees only on an as-needed basis?				
g) An appropriate level of grant approval authority?				
h) Investigation of failure by grantees to meet financial reporting requirements on a timely basis?				
i) Requiring grantees to evidence correction of previously detected deficiencies before approval of an extension or renewal of a grant?				
j) Entitlement procedures ensuring statistics or data used to allocate funds are accurately accumulated (for example, census bureau forms)?				
k) Requiring statements of recipient compliance with				

## Management Control System Checklist

	<u>N/A</u>	<u>YES</u>	<u>NO</u>	<u>COMMENTS/REF</u>
entitlement conditions (for example, statement of assurances) to be filed and having a responsible official review them?	_____	_____	_____	_____
I) Review of audited financial statements or other compliance requirements of entitlement recipients on a timely basis and investigation of unusual items?	_____	_____	_____	_____
	_____	_____	_____	_____
	_____	_____	_____	_____
	_____	_____	_____	_____
	_____	_____	_____	_____
	_____	_____	_____	_____
	_____	_____	_____	_____

## VIII. EMPLOYEE COMPENSATION

### A) SEGREGATION OF DUTIES

1) Are responsibilities for supervision and time-keeping functions adequately segregated from personnel, payroll processing, disbursement, and general ledger functions?	_____	_____	_____	_____
2) Are responsibilities for the payroll processing function adequately segregated from the general ledger function?	_____	_____	_____	_____
3) Is payroll distribution supervised by employees, as follows:				
a) Who are not responsible for hiring or firing employees?	_____	_____	_____	_____
b) Who do not approve time reports?	_____	_____	_____	_____
c) Who take no part in payroll preparation?	_____	_____	_____	_____
4) Are responsibilities for initiating payments under employee benefit plans adequately segregated from accounting and general ledger functions?	_____	_____	_____	_____
5) Is reconciliation of the payroll fund or bank account done regularly by employees independent of all other payroll transaction processing activities?	_____	_____	_____	_____
6) If EDP is used, is the principle of segregation of duties maintained in processing activities?	_____	_____	_____	_____

### B) PROCEDURAL CONTROLS

1) Do personnel procedures and controls include the following?				
a) Properly authorizing, approving, and documenting all changes in employment (additions and terminations), salary and wage rates, and payroll deductions?	_____	_____	_____	_____
b) Promptly reporting notices of additions, separations, and changes in salaries, wages, and deductions to the payroll processing function?	_____	_____	_____	_____
c) Maintaining appropriate payroll records for accumulated employee benefits (vacation, pension data, sick leave, etc.)?	_____	_____	_____	_____

## Management Control System Checklist

	<u>N/A</u>	<u>YES</u>	<u>NO</u>	<u>COMMENTS/REF</u>
d) Interviewing, by the personnel department, of terminating employees, as a check on departure and as a final review of any termination settlement?	_____	_____	_____	_____
e) Written personnel policies?	_____	_____	_____	_____
f) Establishing controls to ensure payroll costs charged to grants are in compliance with grant agreements?	_____	_____	_____	_____
g) Ensuring payroll and personnel policies governing compensation are in accordance with the requirements of grant agreements?	_____	_____	_____	_____
h) Determining wages are at or above the federal minimum wage?	_____	_____	_____	_____
2) Do supervision/time-keeping procedures and controls include the following?	_____	_____	_____	_____
a) Review and approval, by the employee's supervisor, of hours worked, overtime hours, and other special benefits?	_____	_____	_____	_____
b) Procedures for time keeping and attendance records?	_____	_____	_____	_____
c) Review for completeness and for the employee's supervisor's approval of time cards or other time reports?	_____	_____	_____	_____
d) Punching of time cards, if used, only by the employees to whom they are issued?	_____	_____	_____	_____
e) Placing the time clock in a position where it can be observed by a supervisor?	_____	_____	_____	_____
f) Procedures for authorizing, approving, and recording vacations, holidays, and sick leave and for approving and controlling compensatory time?	_____	_____	_____	_____
3) Do payroll processing procedures and controls include the following?	_____	_____	_____	_____
a) Controls over payroll preparation?	_____	_____	_____	_____
b) Approval and documentation of changes to the EDP master payroll file?	_____	_____	_____	_____
c) Limiting access to the EDP master payroll file to employees who are authorized to make changes?	_____	_____	_____	_____
d) Review and approval of completed payroll registers before disbursements are made?	_____	_____	_____	_____
e) Review of documents supporting employee benefit payments (such as accumulated vacation or sick leave) before disbursements are made?	_____	_____	_____	_____
f) Review for reasonableness of comparisons (reconciliations) of gross pay for current to prior period payrolls by a knowledgeable person not otherwise involved in payroll processing?	_____	_____	_____	_____
g) Review of the payroll (examination of authorizations for changes noted on reconciliations) by an employee not involved in its preparation?	_____	_____	_____	_____
h) Balancing the distribution of dollars and hours of gross pay with payroll registers and review by someone independent, but knowledgeable of this area?	_____	_____	_____	_____
i) Including in the review a comparison to amounts appropriated and budgeted?	_____	_____	_____	_____
j) Prohibiting payroll advances to officials and employees, or subjecting them to appropriate review?	_____	_____	_____	_____
4) Do payroll disbursement procedures and controls include the following?	_____	_____	_____	_____
a) Strong encouragement for all employees to receive	_____	_____	_____	_____



## Management Control System Checklist

	<u>N/A</u>	<u>YES</u>	<u>NO</u>	<u>COMMENTS/REF</u>
payroll disbursement through "direct deposit" to their bank account?				
b) Keeping the signature plates and use of the payroll check-signing machines under control of the official whose name appears on the signature plate, or under control of an employee to whom that responsibility has been delegated?	_____	_____	_____	_____
c) Maintaining a log to reconcile the counter on the check-signing machine with the number of checks issued in each payroll disbursement?	_____	_____	_____	_____
d) Maintaining a separate payroll fund, or an imprest-basis payroll bank account?	_____	_____	_____	_____
e) Regularly reconciling the payroll fund or bank account?	_____	_____	_____	_____
f) Comparing, by someone independent of the payroll department, payroll check endorsements, on a test basis, with signatures on file?	_____	_____	_____	_____
g) If payment is made in cash, requiring signed receipts; and having someone independent of the payroll department compare the signed receipts, on a test basis, with signatures on file?	_____	_____	_____	_____
h) Controlling the supply of unused payroll checks?	_____	_____	_____	_____
i) Requiring employees to provide identification before being given checks or pay envelopes?	_____	_____	_____	_____
j) Prohibiting employees from accepting another's pay?	_____	_____	_____	_____
k) Returning unclaimed wages to a custodian independent of the payroll department?	_____	_____	_____	_____
l) Having employees who distribute checks or pay envelopes make a report of unclaimed wages directly to the accounting department?	_____	_____	_____	_____
m) Making payments of unclaimed wages at a later date, only upon presentation of appropriate evidence of employment and with approval by an officer or employee who is not responsible for payroll preparation or time reporting?	_____	_____	_____	_____
n) Comparing W-2 forms to payroll records and mail by employees not otherwise involved in the payroll process?	_____	_____	_____	_____
o) Procedures for investigating returned W-2 forms?	_____	_____	_____	_____
p) Periodic distribution of payroll checks by the internal auditors, to ascertain employees exist for all checks prepared?	_____	_____	_____	_____
5) Do general ledger procedures and controls include the following?				
a) Adequate account coding procedures for classification of employee compensation and benefit costs, so such costs are recorded in the proper general ledger account?	_____	_____	_____	_____
b) Proper recording or disclosure of accrued liabilities for unpaid employee compensation and benefit costs?	_____	_____	_____	_____
	_____	_____	_____	_____
	_____	_____	_____	_____

## Management Control System Checklist

N/A    YES    NO    COMMENTS/REF

### IX ELECTRONIC DATA PROCESSING

#### A) SEGREGATION OF DUTIES

- 1) Is the EDP department independent from the accounting and operating departments for which it processes data? \_\_\_\_\_
- 2) Are duties within the data-processing function as adequately segregated as follows:
  - a) Systems development (design and programming)? \_\_\_\_\_
  - b) Technical support (maintenance of systems software)? \_\_\_\_\_
  - c) Operations? \_\_\_\_\_
- 3) In smaller and mini-computer installations with limited opportunities for segregation of duties, do procedures for user departments provide the following controls:
  - a) Utilization of batch or other input controls? \_\_\_\_\_
  - b) Control of master file changes? \_\_\_\_\_
  - c) Balance master files between processing cycles? \_\_\_\_\_
- 4) Do personnel policies of the EDP function include such procedures as reference checks, security statements, rotation of duties, and terminated-employee security measures? \_\_\_\_\_

#### B) PROCEDURAL CONTROLS

- 1) Do EDP user controls include the following?
  - a) Controls over preparation and approval of input transactions outside the EDP department and controls prohibiting the EDP department from initiating transactions? \_\_\_\_\_
  - b) Having the user exercise control procedures over input to ensure all approved input is processed correctly through the system (and only once)? \_\_\_\_\_
  - c) Having controls over entry of data in on-line systems to restrict access to terminals and to restrict data entry to authorized employees? \_\_\_\_\_
  - d) On-line systems controls to prevent documents from being keyed into the system more than once and to permit tracing from the computer output to data source and vice versa? \_\_\_\_\_
  - e) Controls over changes to master files, such as requiring preparation of specific forms indicating data to be changed, approval by a supervisor in the user department, and verifying against a printout of changes? \_\_\_\_\_
  - f) User controls over rejected transactions through the use of a computerized suspense file of rejected transactions or an auxiliary manual system? \_\_\_\_\_
  - g) User department management reconciliation of output totals to input totals for all data submitted, reconciliation of the overall file balances, and review of outputs for reasonableness? \_\_\_\_\_
- 2) Do application controls include the following?
  - a) Procedures within the data processing control function, providing proper control of data between the user and the EDP department? \_\_\_\_\_
  - b) Controls over data entry; for example, to include adequate supervision, up-to-date instructions, key verification of important fields, and self-checking digits? \_\_\_\_\_

## Management Control System Checklist

	<u>N/A</u>	<u>YES</u>	<u>NO</u>	<u>COMMENTS/REF</u>
c) Program controls over entry of data into on-line systems?				
d) Editing and validation of input data?				
e) Data processing controls over rejected transactions?				
f) Controls for balancing transaction and master files?				
g) Procedures within the data processing control function concerning review and distribution of output?				
3) Do general controls include the following?				
a) Controls over changes to system software?				
b) Controls over use and retention of tape and disk files, including provision for retention of adequate records to provide backup capabilities?				
c) Controls to limit to authorized employees, access to data processing equipment, tapes, disks, system documentation, and application program documentation?				
d) Use of a job accounting system (or console logs) to ensure scheduled programs are processed, proper procedures are followed, and supervisory personnel know <u>only</u> required programs have been processed?				
e) Supervision of EDP department employees for all shifts?				
f) Documentation of procedures to be followed by computer operators?				
g) Documentation of the data processing system to provide for continuation of the organization, even if important data processing employees leave?				
h) Procedures to protect against a loss of important files, programs, or equipment?				
i) Insurance to cover equipment, programs, and data files?				
j) User-approved written specifications for new systems and modifications to existing application systems?				
k) Procedures to test and implement new systems and to test modifications to existing application systems?				

## Management Control System Checklist

N/A    YES    NO    COMMENTS/REF

### X. FINANCIAL REPORTING

#### A) SEGREGATION OF DUTIES

- 1) Are responsibilities for the final review and approval of financial reports adequately segregated from those for the preparation of the reports? \_\_\_\_\_
- 2) Are responsibilities for maintaining the general ledger adequately segregated from those for maintaining subsidiary ledgers? \_\_\_\_\_
- 3) Are responsibilities for maintaining the general ledger adequately segregated from those for the custody of assets? \_\_\_\_\_
- 4) Are the responsibilities for preparation and approval functions adequately segregated from those for journal entries? \_\_\_\_\_
- 5) Are responsibilities for principal accounting, for the treasury, and for custody functions adequately segregated? \_\_\_\_\_
- 6) If EDP is used, is the principle of segregation of duties maintained within processing activities? \_\_\_\_\_

#### B) PROCEDURAL CONTROLS

- 1) Do general ledger procedures and controls include the following? \_\_\_\_\_
  - a) A formal plan of organization for the unit of government under which reporting responsibilities are clearly defined and reasonably aligned? \_\_\_\_\_
  - b) Supervision of a principal accounting officer over accounting records and accounting employees at all locations? \_\_\_\_\_
  - c) General ledger control over all assets and transactions for all departments of the organization? \_\_\_\_\_
  - d) Bonding employees in positions of trust in amounts required by statutes or organization policy? \_\_\_\_\_
  - e) Written accounting policy and procedural manuals distributed to appropriate personnel? \_\_\_\_\_
  - f) Updating the accounting policy and procedural manuals, as necessary? \_\_\_\_\_
  - g) Procedures to ensure only authorized persons can alter or establish a new accounting principle, policy, or procedure to be used by the organization? \_\_\_\_\_
  - h) Security for accounting records? \_\_\_\_\_
  - i) A formal policy regarding conflicts of interest? \_\_\_\_\_
  - j) Requiring written representations from appropriate personnel as to compliance with accounting policies and procedures and with ethics policies? \_\_\_\_\_
  - k) Prohibiting loans to officials or employees? \_\_\_\_\_
  - l) Periodically evaluating the adequacy and effectiveness of the internal accounting controls related to the organization's transaction systems (procurement, revenues, receivables, etc.)? \_\_\_\_\_
  - m) Implementing measures to correct weaknesses? \_\_\_\_\_
- 2) Do closing procedures and controls include the following? \_\_\_\_\_
  - a) Procedures and policies for closing the accounts for a reporting period, sufficient to ensure accounts are closed, adjusted, and reviewed on a timely basis? \_\_\_\_\_
  - b) Procedures to ensure all accounting systems have \_\_\_\_\_

## Management Control System Checklist

	<u>N/A</u>	<u>YES</u>	<u>NO</u>	<u>COMMENTS/REF</u>
included all transactions applicable to the reporting period?	_____	_____	_____	_____
c) Review and approval of valuation reserves or other account balances based on estimates?	_____	_____	_____	_____
d) Having all journal entries reviewed, approved, and supported by adequate descriptions or documentation?	_____	_____	_____	_____
e) Controls to ensure only authorized individuals can initiate entries?	_____	_____	_____	_____
3) Do combining procedures and controls include the following?	_____	_____	_____	_____
a) Procedures to ensure orderly and effective accumulation of financial data?	_____	_____	_____	_____
b) Procedures for orderly processing of financial data received from departments and other accounting units?	_____	_____	_____	_____
c) Procedures to permit recording and review of special entries generated in the combining process?	_____	_____	_____	_____
4) Do preparation, review, and approval procedures and controls include the following?	_____	_____	_____	_____
a) Procedures to ensure financial reports are supported by either underlying account records or other documentation?	_____	_____	_____	_____
b) Procedures providing reasonable assurances all data required to be included in legal, as well as public reports, are properly disclosed?	_____	_____	_____	_____
c) Procedures to ensure financial reports are prepared on a consistent basis?	_____	_____	_____	_____
d) Review and approval of financial reports at appropriate levels of management and, if appropriate, the legislature before public release?	_____	_____	_____	_____
e) Procedures to ensure all requirements for filing of financial reports are met (bonds, public, etc.)?	_____	_____	_____	_____
	_____	_____	_____	_____
	_____	_____	_____	_____



Series 900

# Hotel Internal Audit