

Office of the State Controller

Self-Assessment of Internal Controls

Budget Reporting Cycle

Objectives and Risks

Agency _____

Year-End _____

Objectives

Risks

Preparation of a budget, whether or not legally required, which internally and externally communicates goals and objectives and serves as a "benchmark" against which actual performance is measured.

- No practical means by which to measure performance.
- Internal departments and staffs unsure of goals of the executive.
- Absence of effective control over expenditures.

Obtain legislative or other required approval of expenditure and revenue plan for the period.

- Executive and legislative branches do not reach a common point of agreement on plan of expenditure and revenue.
- Expenditure plan adopted with no apparent plan to raise required revenue.

Obtain assurance that expenditures are incurred in conformity with the budget and plan of operations.

- Violation of law.
- Expenditures incurred in excess of budget authorization.
- Arbitrary or unauthorized transfers between budget categories.
- Lack of control over purchase commitments issued and their impact on budget.

Budget versus actual reporting is provided on a timely basis and explanations are provided for significant deviations.

- Lack of timely information on budget versus actual status prohibits corrective action.
- Department managers unaware of status of their budget and potentially prohibited from executing plans.
- Unbudgeted actual transactions may not be detected.

Office of the State Controller

Self-Assessment of Internal Controls

Budget Reporting Cycle

Control Policies and Procedures:

Agency _____

Year-End _____

A. Control Activities / Information and Communication:

Yes No N/A

- ___ ___ ___ 1. Is there a formal organizational chart defining responsibilities for preparing, approving, changing and submitting the budget to the Office of State Budget and Management?
- ___ ___ ___ 2. Have procedures been adopted and communicated establishing authority and responsibility for transfers (budget revisions) between budget categories?
- ___ ___ ___ 3. Is a budget calendar prepared for the orderly preparation and submission of the budget?
- ___ ___ ___ 4. Are budgetary increases or decreases (as they relate to programs), that are mandated by the legislature communicated to operating departments? Is this done in a timely manner?
- ___ ___ ___ 5. Are initial budget submission developed and prepared by major departments and activity centers?
- ___ ___ ___ 6. Are interfund and interdepartmental transfers included in the budget?
- ___ ___ ___ 7. Are budgets that have been approved by grantors in connection with grant activity recorded in the accounting system?
- ___ ___ ___ 8. Is an encumbrance system used to ensure that actual expenditures do not exceed budgeted amounts?
- ___ ___ ___ 9. If an encumbrance system is used, is the outstanding purchase order file reconciled to the general ledger (Reserve for Encumbrances) monthly and on a timely basis?
- ___ ___ ___ 10. Are actual expenditures and revenues compared to budgeted amounts monthly and on a timely basis?
- ___ ___ ___ 11. Are budget revisions approved by an authorized person before being entered into the accounting system?

- ___ ___ ___ 12. Are restricted revenues segregated to ensure that the revenues are used only for restricted purposes?
- ___ ___ ___ 13. Are management's goals and objectives integrated into budget submissions?
- ___ ___ ___ 14. Are expenditure and revenue transactions reviewed to determine that coding is consistent with budget classifications?
- ___ ___ ___ 15. Are budget reports distributed, (or available on line, to operating departments as a management tool?
- ___ ___ ___ 16. Are the following duties generally performed by different people:
 - ___ ___ ___ a. Preparation and approval of the budget submitted to the legislature?
 - ___ ___ ___ b. Implementation and approval of the budget submitted to the legislature, including budget revisions?
 - ___ ___ ___ c. Recording budget revisions in the general ledger and the approval or implementation functions?

B. Monitoring:

- ___ ___ ___ 17. If applicable, is citizen input obtained through public hearings (primarily associated with budgets for federal programs)?
- ___ ___ ___ 18. Does the budget officer, or other properly authorized officer, review departmental budgets in relation to management's goals?
- ___ ___ ___ 19. Does the accounting department or budget officer submit approval as to availability of funds before the issuance of a purchase order or expenditure commitment?
- ___ ___ ___ 20. Are budgets prepared in sufficient detail (i.e. at operational responsibility level) to provide a meaningful tool with which to monitor subsequent performance?
- ___ ___ ___ 21. Are estimated revenues and appropriations recorded in sufficient detail in the accounting records for later comparison to actual amounts realized or incurred?
- ___ ___ ___ 22. Are over expenditures or under realized revenues discussed with departmental personnel and are there explanations for significant variation from budgeted amounts?