

Office of the State Controller
Self-Assessment of Internal Controls

Financial Reporting Cycle

Objectives and Risks

Agency _____

Year-End _____

Objectives

All transactions are properly accumulated, classified and summarized in the accounts.

All closing entries are initiated by authorized personnel and reviewed and approved in accordance with established policies and procedures.

All necessary data for combination are obtained and processed in accordance with established policies and procedures.

Risks

- General ledger not in balance.
- Subsidiary ledgers not in balance with general ledger.
- Inconsistent application of accounting policies and procedures.
- General ledger data is in error.

- Inadequate closing procedures may result in confusion of responsibility, delay in completing the closing and omission of a control procedure.
- Transactions improperly included or excluded as a result of inadequate cutoff procedures.
- Unauthorized or inappropriate journal entries.
- Inadequate support for journal entries preventing a proper review and approval.

- Absence of adequate procedures may result in misclassification of balances, improper combination, omission of an accounting unit, unacceptable delays and excessive work.
- Omission of information which should be provided in financial reports, lack of control over data submitted and review process.

All internal and public financial reports are prepared on the basis of appropriate supporting data, provide required information, and are reviewed and approved before issuance.

- Financial reports not supported by underlying accounting records.
- Inconsistent presentation of financial data.
- Incomplete review of data, permitting possible errors or omissions.
- Financial reports released without approval of appropriate executive and legislative officials.
- Damage to constituent and financial community relations.
- Legal and regulatory requirements on publication of financial information not allowed.

Office of the State Controller
Self-Assessment of Internal Controls
Financial Reporting Cycle
Control Policies and Procedures:

Agency _____

Year-End _____

A. Control Activities / Information and Communication:

Yes No N/A

- | | | | | |
|-----|-----|-----|----|---|
| ___ | ___ | ___ | 1. | Is there a formal plan of organization under which responsibilities for closing the general statements and financial statement worksheets are clearly defined? |
| ___ | ___ | ___ | 2. | Is there a formal schedule with target dates for completing tasks associated with closing the general ledger and preparing financial statement worksheets? |
| ___ | ___ | ___ | 3. | Are policies and procedures established concerning year-end cut-off of accounting transactions? |
| ___ | ___ | ___ | 4. | Does the agency maintain documentation of written procedures covering the recording of transactions? |
| ___ | ___ | ___ | 5. | Does this documentation contain a chart of accounts explaining what items are charged to each line account? Do relevant employees have access to this information? |
| ___ | ___ | ___ | 6. | Does the agency maintain and follow procedures for record filing, retention, and disposition? |
| ___ | ___ | ___ | 7. | Is it required that trial balances, adjustments and supporting workpapers be maintained to support the process of closing the general ledger and preparing financial statements and financial statement worksheets? |
| ___ | ___ | ___ | 8. | Is certification required from operating units that information submitted for the preparation of the financial statements is correct? |
| ___ | ___ | ___ | 9. | Is informative disclosure required in the financial statements and the accompanying notes as follows: |
| ___ | ___ | ___ | a. | Requiring the accumulation of information concerning commitments? |
| ___ | ___ | ___ | b. | Requiring the accumulation of information concerning contingencies? |
| ___ | ___ | ___ | c. | Requiring the accumulation of information concerning related party transactions? |

- ___ ___ ___ d. Requiring the accumulation of information concerning accounting principles?
- ___ ___ ___ e. Requiring the accumulation of information concerning fund classifications?
- ___ ___ ___ f. Requiring the accumulation of information concerning subsequent events?
- ___ ___ ___ g. Requiring the accumulation of information concerning other accounting disclosures? (CAFR footnote worksheets for the State reporting entity).
- ___ ___ ___ 10. Are investments reconciled to control accounts at year-end?
- ___ ___ ___ 11. Are intra-agency transfers reconciled at year-end?
- ___ ___ ___ 12. Are intra-agency interfund receivables and payables reconciled at year-end?
- ___ ___ ___ 13. Are amounts designated for subsequent years' expenditure reconciled to budget authorizations?
- ___ ___ ___ 14. Are beginning fund balances or retained earnings reconciled to amounts reported in prior years?
- ___ ___ ___ 15. Are financial statements (or financial statement worksheets) reconciled to the general ledger before being transmitted to the State Controller?
- ___ ___ ___ 16. Are financial statements (or financial statement worksheets) reviewed by the chief financial officer for accuracy and consistency?
- ___ ___ ___ 17. Are the following duties generally performed by different people:
 - ___ ___ ___ a. Preparing and reviewing the financial statements?
 - ___ ___ ___ b. Preparing and reviewing journal entries?
 - ___ ___ ___ c. Accumulation of accounting information (inventories, estimates, etc.) and custody of related assets?
 - ___ ___ ___ d. Preparing and reviewing worksheets and schedules supporting the accounting information?
 - ___ ___ ___ e. Performing and reviewing reconciliations?
- ___ ___ ___ 18. Are worksheets and schedules attached to journal entry accounting code sheets and are they secured in a safe location?
- ___ ___ ___ 19. Do only authorized persons review departmental budgets?

- ___ ___ ___ 20. Is a knowledgeable individual assigned the responsibility to supervise the conversion from budget (cash) basis to GAAP basis of accounting?
- ___ ___ ___ 21. Are reconciliations of subsidiary ledgers to control accounts performed and reviewed by a responsible person?
- ___ ___ ___ 22. Are journal entries approved, including a review of supporting documentation?
- ___ ___ ___ 23. Are transactions subsequent to the balance sheet date reviewed for proper classification?
- ___ ___ ___ 24. Are revenue accounts reviewed to identify possible deferred revenue?
- ___ ___ ___ 25. Are investment earning calculations and accruals reviewed at year-end?
- ___ ___ ___ 26. Are fiscal agent statements reviewed for proper presentation and reconciled to the agency's records?
- ___ ___ ___ 27. Are accumulated leave records reviewed at year-end?
- ___ ___ ___ 28. Are capital asset inventory worksheets reviewed at year-end?
- ___ ___ ___ 29. Are accrual transactions reviewed to determine that expenditure or revenue recognition was proper?
- ___ ___ ___ 30. Are retained earnings or fund balances reviewed for restrictions/reservations at year-end?
- ___ ___ ___ 31. Are bank reconciliations reviewed at year-end?
- ___ ___ ___ 32. Are fund types reviewed to verify fund classifications?
- ___ ___ ___ 33. Is the mathematical accuracy of the financial statements verified at year-end?

B. Monitoring:

- ___ ___ ___ 34. Are overexpenditures and other differences between actual and budgeted amounts promptly investigated and resolved?
- ___ ___ ___ 35. Has management identified accounts, such as those requiring complex calculations or accounting estimates, which are especially at risk of misstatement and developed policies and procedures to address those risks timely?
- ___ ___ ___ 36. Does management consider the financial reporting impact of changes in computer programs?
- ___ ___ ___ 37. Has management instituted a process to identify and address changes in accounting and reporting procurements?

- ___ ___ ___ 38. Are only authorized persons allowed to alter or interpret an existing accounting principle or establish a new accounting principle? Have proposed changes been brought to the attention of OSC? (Relates also to question 46)
- ___ ___ ___ 39. Does management spot-check transactions, records, and reconciliation to ensure expectations are met?
- ___ ___ ___ 40. Are policies and procedure developed for changes in new systems or new way of doing duties?
- ___ ___ ___ 41. Are budgets compared to actual results and deviations followed up on a timely basis?
- ___ ___ ___ 42. Is information (i.e. findings, recommendations, etc.) provided by external auditors considered and acted upon in a timely manner?
- ___ ___ ___ 43. Are internal controls subject to a formal and continuous internal assessment process?
- ___ ___ ___ 44. Does management periodically evaluate the accuracy and timeliness of its information and communicate it to appropriate personnel?
- ___ ___ ___ 45. Does management review accounting estimates at least annually (depreciation, allowance for doubtful accounts, etc.)?

C. Accounting Standards

- ___ ___ ___ 46. Have qualified individuals reviewed recently promulgated accounting standards for proper implementation? This would include, if applicable, GASB Statement No. 40 and other significant standards. (Relates also to question 38)