

**Office of the State Controller**

Self-Assessment of Internal Controls

**Investment Cycle**

Objectives and Risks

Agency \_\_\_\_\_

Year-End \_\_\_\_\_

Objectives

All purchase or sales transaction are initiated by authorized individuals, conform to investment objectives, policies and regulations and are properly documented and approved.

All documents evidencing ownership or other rights are subject to effective custodial accountability procedures and physical safeguards.

All transactions are promptly and accurately recorded in adequate detail records and appropriate reports are issued.

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

Risks

- Unrecorded or unauthorized transactions; transactions at inappropriate prices or at unfavorable terms; payment of fictitious or inflated prices.
- Unauthorized use of assets for personal gain; loss or theft of assets.
- Misappropriation of interest income, proceeds from sales transactions; concealment of unauthorized transactions.
- Misstating financial statements; concealment of misappropriations.

**Office of the State Controller**  
Self-Assessment of Internal Controls  
**Investment Cycle**  
Control Policies and Procedures

Agency \_\_\_\_\_

Year-End \_\_\_\_\_

**A. Control Activities / Information and Communication:**

Yes No N/A

- |     |     |     |   |
|-----|-----|-----|---|
| ___ | ___ | ___ | 1. Do flowcharts exist that document investment processing and identify control procedures?   |
| ___ | ___ | ___ | 2. Are there written policies and procedures that document the flow of investment processing and identify control procedures?                   |
| ___ | ___ | ___ | 3. Are policies and procedures established to ensure investment certificates are received or appropriately reflected in the custodial accounts? |
| ___ | ___ | ___ | 4. Are investment purchases recorded in the general ledger on the date traded?  |
| ___ | ___ | ___ | 5. Is the documentation easily accessible to all persons needing it to perform their job?   |
| ___ | ___ | ___ | 6. Are policies and procedures established to ensure the acquisition and disposal of investments are properly recorded?                         |
| ___ | ___ | ___ | 7. Are policies and procedures established to ensure investment income received is recorded properly?   |
| ___ | ___ | ___ | 8. Does investment income earned get recorded on a timely basis?  |
| ___ | ___ | ___ | 9. Are investment earnings credited to the proper fund?   |
| ___ | ___ | ___ | 10. Is the acquisition and disposal of investments authorized by a person with approval authority?  |
| ___ | ___ | ___ | 11. Are investment guidelines formally established and periodically reviewed?   |
| ___ | ___ | ___ | 12. Have authority and responsibility been established for investment opportunity evaluation and purchase?                                      |
| ___ | ___ | ___ | 13. Has the level and nature of approval required to purchase or sell an investment been established?   |

14. Are the following duties generally performed by different people:

- \_\_\_ \_\_\_ \_\_\_ a. Cash flow management, investment transactions, safeguarding the investments, responsibility for them and recording them?
- \_\_\_ \_\_\_ \_\_\_ b. Record-keeping functions for securities and income separate from those having access to physical securities, those authorizing security transactions, and those having duties in the cash area?
- \_\_\_ \_\_\_ \_\_\_ c. Initiating, evaluating, and approving transactions segregated from those for detail accounting, general ledger and other related function?
- \_\_\_ \_\_\_ \_\_\_ d. Monitoring investment market values and performance from those for investment acquisition?
- \_\_\_ \_\_\_ \_\_\_ e. Maintaining detail accounting records segregated from those for general ledger entries?
- \_\_\_ \_\_\_ \_\_\_ f. Custodial responsibilities for securities or for other documents evidencing ownership or other rights assigned to an official who has no accounting duties?

\_\_\_ \_\_\_ \_\_\_ 15. Does a governing body or statute restrict investments by type and/or amount ? Can officials override these restrictions with proper authorization?

\_\_\_ \_\_\_ \_\_\_ 16. Are investment certificates and interest coupons sufficiently safeguarded?

\_\_\_ \_\_\_ \_\_\_ 17. Are securities released from the vault only upon authorization of a person responsible for cash flow and for investment transactions?

\_\_\_ \_\_\_ \_\_\_ 18. Is it necessary for more than one person to authorize the release of a security from safekeeping, or to have access to the safe deposit box or vault?

\_\_\_ \_\_\_ \_\_\_ 19. Are individuals with access to securities bonded?

\_\_\_ \_\_\_ \_\_\_ 20. Are securities transported by armored truck?

\_\_\_ \_\_\_ \_\_\_ 21. Are all securities held or registered in the name of the agency or the State Treasurer if applicable?

22. Are detail records maintained that include the following information, if applicable, on each evidence of ownership:

- \_\_\_ \_\_\_ \_\_\_ a. Date of acquisition, identification and purchase amount or cost?
- \_\_\_ \_\_\_ \_\_\_ b. Physical location of item, i.e., safe deposit box, etc.?
- \_\_\_ \_\_\_ \_\_\_ c. Interest dividend, or income rates and accrual or receipt dates?
- \_\_\_ \_\_\_ \_\_\_ d. Ownership by fund?

- \_\_\_ \_\_\_ \_\_\_ 23. Do procedures exist for reconciling the detail accounting records with the general ledger control?
- \_\_\_ \_\_\_ \_\_\_ 24. Do specific procedures exist for tracking maturing investments and interest payments?
- \_\_\_ \_\_\_ \_\_\_ 25. Is the investment program integrated with the cash management program and expenditure requirements?
- \_\_\_ \_\_\_ \_\_\_ 26. Are competitive bids sought for certificate of deposit purchases?

**B. Monitoring:**

- \_\_\_ \_\_\_ \_\_\_ 27. Is the classification of investments in the general ledger periodically reviewed? Are these classifications properly documented by management?
- \_\_\_ \_\_\_ \_\_\_ 28. Does a responsible official determine that the income earned is credited to the proper fund?
- \_\_\_ \_\_\_ \_\_\_ 29. In respect to question 15 above, does a responsible official determine that investments are of the character and type permitted by legal requirements? If restrictions are overridden, are the reasons and authority for the action properly documented?
- \_\_\_ \_\_\_ \_\_\_ 30. Is the performance of the investment portfolio periodically evaluated by persons independent of investment portfolio management activities?
- \_\_\_ \_\_\_ \_\_\_ 31. Are appropriate personnel authorized to release securities from safekeeping authorized by the governing body?
- \_\_\_ \_\_\_ \_\_\_ 32. Are securities or legal documents or agreements evidencing ownership or other rights kept in a vault with limited access, or preferable, protected in a safe deposit box, on deposit with a corporate trustee, or broker?
- \_\_\_ \_\_\_ \_\_\_ 33. Does management periodically count securities and reconciled them to the records?
- \_\_\_ \_\_\_ \_\_\_ 34. Are periodic surprise counts of evidence of ownership made and reconciled to detail records and other controls?
- \_\_\_ \_\_\_ \_\_\_ 35. Are securities periodically inspected or confirmed from safe-keeping agents?
- \_\_\_ \_\_\_ \_\_\_ 36. Are periodic comparisons made between income received and the terms of the security or publicly available investment information?