

Item #1

Internal Control Document

A. CONTROL ENVIRONMENT

1. Describe the organization and the composition of its board of directors.
2. Describe the relationship and interaction of the board of directors and management as related to finance and personnel matters.
3. Describe the management structure within the organization in terms of responsibility for personnel, finance and how staff reports to the executive director.
(Providing an organizational chart can satisfy this question)
4. Identify existence and delineate actual use of accounting manual, personnel policies and related documents.
5. Describe the budget approval and monitoring process. What procedures are in place to ensure that the original budget, based on expected enrollment, has been adopted prior to July 1 of each year?
6. Describe the day-to day operations of the financial area in terms of crisis management and ability to attend to required tasks (is there cross-training in the accounting department?)
7. Describe safeguards to accounting and personnel records including restricted access and regular and offsite backups.
8. Are loans to and personal use of assets by employees and board members prohibited?
9. Describe record retention rules followed by the organization.
10. Are accounting employees required to take annual vacation of at least one continuous week, and during the vacationing personnel's absence are their duties performed by other personnel?
11. Are background and references checked for new accounting personnel?
12. What is the background of accounting personnel?
13. What type of training is provided to new accounting personnel?
14. Are there regular, periodic employee reviews conducted by the employees supervisor?
15. Are there formal job descriptions, and are employees given these?
16. How is it communicated to employees what type of concerns to report upstream, and who to report to?

17. Describe the process for initiating, recording and authorizing non-standard journal entries.

B. FINANCIAL REPORTING

1. Are periodic internal financial statements prepared? If yes, describe who prepares them, how often, and how they are prepared (manually, provided by accounting program...). Provide a sample of what is prepared.
2. Are the financial statements prepared provided to and reviewed by the governing board?

C. ACCOUNTING SYSTEM

1. Describe the accounting system used by the organization including software identification where computerized.
 - a. Are books and records kept and filed in an orderly manner (including system for recording journal entries)? Describe
2. Describe the roles of accounting staff
 - a. Who keeps the books? Is this person different from that who maintains custody of assets?
 - b. Are the books, journal entries, and other records reviewed/approved by a person in a position other than the person recording the transactions? If so, who
 - c. Who is authorized to sign checks? Is more than one signature required? Under what conditions?

D. CASH

1. Are banks promptly notified of all changes of authorized check signers?
2. Cash Receipts
 - a. Are checks restrictively endorsed "for deposit only"? By Whom?
 - b. Is a separate listing prepared and compared to cash receipts records and deposit slips?
 - c. Are receipts deposited intact on a daily basis? What physical controls exist over receipts prior to the deposit in the bank?
3. Direct Mail campaigns
 - a. Are two persons responsible for controlling incoming mailing and preparing a list of amounts received?
 - b. Is the record of amounts received totaled and initialed by both employees?
 - c. Do accounting personnel compare the listing to the bank deposit?

4. Special Events

- a. Do individuals handling collections account for all tickets or unit sales?
- b. Are cash receipts reconciled to tickets/units sold?
- c. Do two persons count and sign-off on collections at special events?
- d. Are unsold tickets accounted for?

5. Cash Disbursements

- a. Are all disbursements except petty cash made by check?
- b. What controls exist over blank check stock? Who is the custodian of blank checks?
- c. Who approves cash disbursements? How is this done?
- d. What procedures are in place to ensure that expenses which are ineligible, by definition in WI State Statute Chapter PI 35, PI 48, and PI 49 are segregated in the accounting records from eligible program expenses?
- e. Does all support/documentation accompany checks presented for signature?
- f. Are supporting documents properly canceled at time of payment to prevent duplicate payment?
- g. Are voided checks properly mutilated and retained?
- h. Are checks made payable to specified payees and never to cash or bearer?
- i. Is signing blank checks prohibited?

6. By whom and when are bank accounts reconciled each month?

7. What procedure is used to review checks outstanding over 90 days? When is payment stopped?

E. PETTY CASH

1. Is petty cash used by the organization (including custodial/payee accounts)?
2. Who is responsible for maintenance of the specific fund?
3. Is petty cash maintained on an imprest (reimbursable) basis?
4. Is there a limit on the size of petty cash disbursements? (describe)
5. How are petty cash disbursements accounted for in terms of vouchers and or receipts/invoices?
6. Who counts the petty cash fund? How Often?

7. Is the cashing of employee checks out of petty cash prohibited?

F. INVESTMENTS

1. What process exists for purchase, sale and review of investments?
2. Are all investments held in the name of the organization?
3. Are detailed records maintained for all investments?

G. PROPERTY AND EQUIPMENT

1. Is formal approval required for all fixed asset additions and dispositions?

Describe the organization capitalization policy.

2. Is equipment properly identified by numbered metal tag or other means of identification?
3. Are assets purchased with government grants separately accounted for
4. Is a physical inventory of fixed assets taken on a regular basis?

H. DEBT AND OTHER LIABILITIES

1. Describe custody and updating of debt agreements and lease documents
2. Is all borrowing authorized by the board of directors?

I. REVENUE

1. Are records kept of all donations including restrictions?
2. Are service fee rates, dues, sales prices, and subscription rates approved by the board of directors, publicly announced, and published? Describe.
3. Receivables:
 - a. Are the amounts for all receivables recorded when earned?
 - b. Are billings for third party reimbursement reviewed by a responsible official?
 - c. Are monthly statements mailed for all service fees and sales?
 - d. Are monthly statements reviewed by a responsible official?
 - e. Are receivables reconciled on a monthly basis to the general ledger?
 - f. Are receivables aged each month and delinquent accounts followed up for collection?
 - g. Does a responsible official determine and/or approve the write off of uncollectibles? Who and how?

J. EXPENSES

1. Are purchases made in accordance with established bidding procedures and other organizational requirements?
2. Are invoices re-footed, extended, and reviewed for nonpayment of sales taxes, when applicable

K. PAYROLL AND RELATED LIABILITIES

1. Who approves hiring of new personnel?
2. Are personnel files maintained including authorized pay rate, pay dates for each year, forms W-4 and I-9, and termination data as applicable?
3. Is information regarding the individual's pay rate and payroll dates available in printed format to provide to any employee who requests such information?
4. What policies exist for termination of personnel including approval?
5. How is payroll prepared, including timecards and processing?
6. How is each payroll approved?
7. Is the total of W-2 wages for the year reconciled to the general ledger?
8. Are employee time records maintained in sufficient detail to allow for allocation of payroll costs to funding sources and/or function?

L. DONATED MATERIALS, FACILITIES, SERVICES

1. What controls exist over donated materials? Are these items or services recorded in the accounting records of the school?
2. What valuation records and documentation are maintained for donated items?
3. If these items or services are recorded in the accounting records, are there procedures in place to ensure that the expenses for donated amounts will not be included in program eligible expenses

M. INVENTORIES

1. Describe the process for safeguarding inventories against loss or theft?
2. Who maintains custody over inventories? How is custody maintained?
3. What process is used to write off obsolete inventory?