



Texas State Auditor's Office

Assessing Risk in Key Accountability Control Systems

What is the purpose of this document?

This document will provide boards, commissions, and agency managements with definitions and explanations of management controls. Questions are provided that will assist in evaluating the level of perceived risk associated with various control areas. These questions are not as extensive as an audit program, which evaluates the adequacy of a management control area. More information and evidence would be required by an audit program. However, the questions can be used as indicators of risk. It may be necessary to obtain more information to fully evaluate risk in a particular area. Adjustments to the questions or the addition of other questions may make this document more pertinent to individual agencies.

What is risk?

Risk is anything that could jeopardize the achievement of an objective. Risk can pertain to internal or external factors. External factors can include, but are not limited to, economic changes, new or revised laws and regulations, technological developments, and social changes. Internal factors can include changes in personnel, new information systems, and reorganizations.

After identifying risk, agency management must then analyze the risk and consider what steps are needed to mitigate or limit high-risk areas. Managing change requires an ongoing assessment of risk and its impact on management controls or internal controls.

What are internal controls and management controls?

The Committee of Sponsoring Organizations of the Treadway Commission¹ has defined internal control as a process, effected by an entity's board of directors, management, and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

- Effectiveness and efficiency of operations
- Reliability of financial reporting
- Compliance with applicable laws and regulations

Government Auditing Standards, issued by the Comptroller General of the United States, associate internal controls with financial and financial-related audits and management controls with performance audits. Management controls are defined as:

the plan of organization, methods, and procedures adopted by management to ensure that its goals are met. Management controls include the processes for planning, organizing, directing, and controlling program operations. They include the systems for measuring, reporting, and monitoring program performance.

Although management controls may appear to be more all-encompassing than internal controls, we believe that there is no significant difference between the two.

¹The Treadway Commission was created in 1985 by the joint sponsorship of the American Institute of Certified Public Accountants, American Accounting Association, Financial Executives Institute, Institute of Internal Auditors, and Institute of Management Accountants.

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Key Accountability Control Systems Of State Agencies And Universities

Control Environment and Risk Assessment			
<ul style="list-style-type: none"> • Integrity and Ethical Values • Risk Assessment 	<ul style="list-style-type: none"> • Management’s Philosophy and Operating Style 	<ul style="list-style-type: none"> • Managing Change • Commitment to Competence 	<ul style="list-style-type: none"> • Compliance With Laws and Regulations

Policy Management		
<ul style="list-style-type: none"> • Planning and Budgeting <ul style="list-style-type: none"> - Environmental Scans - Mission Analysis - Goal Setting - Budgeting - Action Plans - Measures 	<ul style="list-style-type: none"> • Policies and Procedures <ul style="list-style-type: none"> - Development - Documentation - Communication - Enforcement - Revisions 	<ul style="list-style-type: none"> • Human Resources and Organizational Structure <ul style="list-style-type: none"> - Planning and Job Analysis - Classification - Recruitment/Selection - Performance Appraisals/Evaluations - Development - Compensation/Rewards - Employee Relations - Compliance - Organization - Supervision - Oversight

Performance Management	
<ul style="list-style-type: none"> • Effectiveness and Efficiency of Operations <ul style="list-style-type: none"> - Customer Satisfaction - Monitoring - Adjustment 	<ul style="list-style-type: none"> • Performance Measurement Systems <ul style="list-style-type: none"> - Progress Tracking - Reliability, Validity of Information

Information Management

- **Information Flow and Communication**

- Selection
- Collection
- Classification
- Evaluation
- Updating
- Reporting
- Storage

- **Automation**

- Needs Analysis
- Development Cycle
- Physical Security
- Disaster Recovery
- Access
- Input
- Processing
- Output
- Interfaces

Resource Management

Assets	Liabilities	Revenues	Expenditures
<ul style="list-style-type: none"> • Cash <ul style="list-style-type: none"> - Balances - Management - Custody - Collateral • Investments <ul style="list-style-type: none"> - Acquisition - Custody - Performance - Disposal • Loans and Contracts <ul style="list-style-type: none"> - Notification - Collection • Receivables <i>(Same as assessment for Revenues; tie to revenue type)</i> • Inventories <ul style="list-style-type: none"> - Acquisition - Storage - Usage - Disposal • Property and Equipment <ul style="list-style-type: none"> - Acquisition - Safeguarding - Depreciation - Disposal • Plant and Other Assets <ul style="list-style-type: none"> - Construction - Maintenance and Renovation - Recognition - Safeguarding 	<ul style="list-style-type: none"> • Bonds <ul style="list-style-type: none"> - Needs Analysis - Issuance - Performance - Disposal • Payables <i>(Same as assessments for Operating/Program Expenditures)</i> • Other <ul style="list-style-type: none"> - Recognition - Custody 	<ul style="list-style-type: none"> • Taxes <ul style="list-style-type: none"> - Compliance - Notification - Cash Receipts - Collection - Resolution • Fees <ul style="list-style-type: none"> - Compliance - Notification - Cash Receipts • Grants and Contracts <ul style="list-style-type: none"> - Maximization - Forecasting • Operating <ul style="list-style-type: none"> - Invoicing - Anticipation Schedules - Notification/Billing - Cash Receipts - Collection • Miscellaneous <ul style="list-style-type: none"> - Cash Receipts - Notification - Collection • Transfers In <ul style="list-style-type: none"> - Allowability 	<ul style="list-style-type: none"> • Personnel <ul style="list-style-type: none"> - Payroll Administration - Salary Administration - Compliance • Program <ul style="list-style-type: none"> - Eligibility-Compliance - Allowability-Compliance - Contract Administration - Contractor Oversight - Cash Disbursements • Operating <ul style="list-style-type: none"> - Allowability-Compliance - Cash Disbursements • Transfers Out <ul style="list-style-type: none"> - Allowability

Assessing Risk in Key Accountability Control Systems

Control Environment and Risk Assessment Definitions

Integrity and Ethical Values - The methods used to achieve agency objectives are based on management's preferences, value judgments, and style. Those preferences and value judgments, when translated into standards of behavior, reflect management's integrity and its commitment to ethical values. Processes in this control area should be designed to ensure management's integrity and ethical values.

This may include the existence and implementation of a code of conduct and other policies regarding acceptable business practices, conflicts of interest, or expected standards of ethical and moral behavior. Also included are guidelines for ongoing relationships with groups such as legislators, employees, the public, and auditors (for example, whether management conducts business on a high ethical plane and insists that others do so, too).

Risk Assessment - The processes in this control area should be designed to identify and analyze the risks threatening the achievement of operations implementation, financial reporting, and compliance objectives, and to determine how those risks should be managed. A risk-assessment process should consider the implications of significant risk at both the entity level and the activity level.

Management's Philosophy and Operating Style - These are intangible controls that have a pervasive effect on an agency. They include elements such as risk taking, attitudes and actions concerning data processing, the reliability and timeliness of information, safeguarding assets, and interaction with staff.

Managing Change - The processes in this control area should be designed to identify the need for change, develop action plans, communicate and implement the plans, and provide follow-up. The process for managing change is similar to, if not a part of, a risk-assessment process. For example, new legislation can create risk for an organization and create a need to change operating policies and procedures.

Commitment to Competence - The processes in this control area should be designed to ensure that the agency has specified the level of competence needed for particular jobs and has translated this into the knowledge and skills required for specific jobs. This can be accomplished through (1) formal or informal job descriptions or other means of defining tasks that comprise particular jobs and (2) analyses of the knowledge and skills needed to perform jobs adequately.

Compliance With Laws and Regulations - The processes in this control area should be designed to ensure that the agency is in compliance with applicable policies, plans, procedures, laws, and regulations which could have a significant impact on operations and reports.

Assessing Risk in Key Accountability Control Systems

Control Environment and Risk Assessment Assessing Your Risk

On a scale of 1 (low risk) to 4 (high risk), rank your organization for each item below. If an item is not applicable to your organization, rank it "0." For those items ranked 3 or 4, consideration should be given to what corrective actions will reduce or limit risk.

Integrity and Ethical Values

1. **Board members and executives set an example of high integrity and ethical behavior.**
(1) Always (2) Frequently (3) Sometimes (4) Rarely _____

2. **Frequency of problem behaviors within the agency. (a - g below)**
(1) Not at all (2) Sometimes (3) Frequently (4) Very frequently
a. **Personal misconduct (conduct reflecting negatively on agency)** _____
b. **Personal use of government time (personal work, tardiness, long lunches)** _____
c. **Personal use of government mail, copying machines, telephones, or other equipment** _____
d. **Personal travel at government expense (personal use of government car; falsifying travel vouchers)** _____
e. **Substance abuse (alcohol, drugs)** _____
f. **Sexual harassment** _____
g. **Personal favoritism** _____

3. **Assess your agency's ethical behavior (how well prescribed standards of conduct are carried out).**
(1) Excellent (2) Good (3) Average (4) Poor _____

4. **Personnel are encouraged to report questionable occurrences/situations with anonymity.**
(1) Always (2) Frequently (3) Sometimes (4) Not at all _____

Assessing Risk in Key Accountability Control Systems

Control Environment and Risk Assessment

Assessing Your Risk

Risk Assessment

1. **Risks are routinely identified and analyzed by each program, and actions are taken to mitigate the risks.**

(1) Always	(2) Usually	(3) Sometimes	(4) Never	_____
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2. **Risk factors include but are not limited to:**
 - a. **Dollar size of budget:**

(1) Under \$1M	(2) \$10M to \$100M	(3) \$100M to \$1B	(4) Over \$1B	_____
----------------	---------------------	--------------------	---------------	-------
 - b. **Dollar size of cash transactions:**

(1) Under \$1M	(2) \$10M to \$100M	(3) \$100M to \$1B	(4) Over \$1B	_____
----------------	---------------------	--------------------	---------------	-------
 - c. **Frequency of cash transactions:**

(1) Never	(2) Sometimes	(3) Frequently	(4) Constantly	_____
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 - d. **Complexity of transactions:**

(1) Simple	(2) Fairly complex	(3) Complex	(4) Very Complex	_____
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 - e. **Geographical dispersion of personnel and operations:**

(1) None	(2) 2 to 5 regions	(3) 6 to 20 regions	(4) More than 20	_____
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 - f. **Layers of government involved in operations:**

(1) One	(2) Two	(3) Three	(4) More than three	_____
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 - g. **Extent of contractor services:**

(1) One contract	(2) 2 to 5 contracts	(3) 6 to 20 contracts	(4) More than 20	_____
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 - h. **Age of program(s):**

(1) Five years+	(2) Four years	(3) Three years	(4) Less than three	_____
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 - i. **Last audit:**

(1) Within one year	(2) 1 to 2 years ago	(3) 3 to 4 years ago	(4) 5+ years	_____
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 - j. **Population served:**

(1) Less than 10,000	(2) 10,000 to 50,000	(3) 50,000 to 100,000	(4) 100,000+	_____
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 - k. **Ability to benefit illegally from program:**

(1) Not at all	(2) Difficult	(3) Moderately easy	(4) Easy	_____
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 - l. **Legislative interest/concern:**

(1) Low	(2) Moderate	(3) Moderately high	(4) Extremely high	_____
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 - m. **Success in meeting performance targets:**

(1) Extremely high	(2) Moderately high	(3) Moderate	(4) Low	_____
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 - n. **Satisfaction in meeting customer expectations:**

(1) Extremely high	(2) Moderately high	(3) Moderate	(4) Low	_____
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Assessing Risk in Key Accountability Control Systems

Control Environment and Risk Assessment Assessing Your Risk

Risk Assessment, concluded

Question 2, concluded

o. Turnover of key staff or board members:

(1) Low (2) Moderate (3) Moderately high (4) Extremely high _____

p. Reliability and timeliness of management information:

(1) Low (2) Moderate (3) Moderately high (4) Extremely high _____

Management's Philosophy and Operating Style

1. Senior management supports operating management through communication and interaction.

(1) Always (2) Frequently (3) Sometimes (4) Never _____

2. Senior management's philosophy and operating style promote integrity and commitment.

(1) Always (2) Frequently (3) Sometimes (4) Never _____

3. Sufficiency and timeliness of information provided to board or committee members allow monitoring of management's objectives and strategies.

(1) Excellent (2) Very good (3) Adequate (4) Inadequate _____

4. Assess sufficiency and timeliness with which the board or committee is apprised of sensitive information, investigations, and improper acts.

(1) Excellent (2) Very good (3) Adequate (4) Inadequate _____

Managing Change

1. Agency implements a process to identify need for change.

(1) Always (2) Usually (3) Sometimes (4) Never _____

2. Agency develops action plans based on identified changes.

(1) Always (2) Usually (3) Sometimes (4) Never _____

3. Agency communicates and implements the action plans.

(1) Always (2) Usually (3) Sometimes (4) Never _____

Assessing Risk in Key Accountability Control Systems

Control Environment and Risk Assessment Assessing Your Risk

Managing Change, concluded

4. **Agency provides follow-up assessment of plans to incorporate in future planning.**

(1) Always (2) Usually (3) Sometimes (4) Never _____

Commitment to Competence

1. **Analyses of the knowledge and skills needed to perform a job are prepared.**

(1) Always (2) Usually (3) Sometimes (4) Never _____

2. **The organization's culture promotes a skilled workforce that strives to achieve the organization's goals.**

(1) Always (2) Usually (3) Sometimes (4) Never _____

3. **All employees are held accountable for their work through formal evaluations, etc.**

(1) Always (2) Usually (3) Sometimes (4) Never _____

Compliance With Laws and Regulations

1. **Current policies, procedures, and processes provide reasonable assurance that the agency is in compliance with relevant laws and regulations.**

(1) Always (2) Usually (3) Sometimes (4) Never _____

2. **The organization has a process in place to identify relevant laws that impact the agency's programs.**

(1) Always (2) Usually (3) Sometimes (4) Never _____

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Assessing Risk in Key Accountability Control Systems

Policy Management Definitions
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Planning and Budgeting - The processes in this control area should be designed to ensure that the agency has identified what it should be doing and how it should be doing it. The “how” includes how available resources are allocated.	
Environmental Scans	Establishing ongoing processes to identify and use outside expectations and environmental factors (includes considering the impact on other agencies and coordinating with other agencies to avoid duplication of effort)
Mission Analysis	Developing a mission statement that: <ul style="list-style-type: none"> • Reflects legislative intent • Incorporates environmental scans and risk assessment • Sets the direction for the accomplishment of the agency’s mission Reviewing the mission statement on an ongoing basis
Goal Setting	Evaluating present condition and identifying future goals, objectives, and strategies (includes knowing where you are and where you want to be so that you know when you get there [bench marking])
Budgeting	Identifying and allocating the resources needed to accomplish the goals, objectives, and strategies of the agency
Action Plans	Developing the specific operating plans necessary to accomplish the goals, objectives, and strategies of the agency
Measures	Developing ways to measure the progress toward achievement of goals, objectives, and strategies (includes ensuring that all measures are carefully defined and that the methodology for calculation is documented) Developing a process for adjusting operations, when needed, in response to measure results

Assessing Risk in Key Accountability Control Systems

Policy Management Definitions
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Policies and Procedures - The processes in this control area should be designed to ensure that the agency has provided policies and procedures necessary to conduct operations. This includes policies and procedures for internal operations and those related to external parties.	
Development	Developing, at the appropriate level in the organization, policies and procedures as needed for all of the agency's operations (includes employment policies such as leave, FLSA, ethics, prevention of illegal acts; procedures for tasks that require standardization; and policies and procedures impacting external parties such as administrative procedures, rule-making, rate-setting, and adjudication)
Documentation	Putting the agency's policies and procedures in writing
Communication	Communicating policies and procedures to all employees within the organization and to applicable external parties
Enforcement	Ensuring policies and procedures are carried out as intended and taking corrective action when needed
Revisions	Periodically reviewing established policies and procedures to determine whether they are still applicable and necessary Revising policies and procedures to keep up with changes in the environment and the agency's strategic planning

Assessing Risk in Key Accountability Control Systems

Policy Management Definitions

<p>Human Resources and Organizational Structure - The processes in this control area should be designed to ensure that employees:</p> <ul style="list-style-type: none"> • Have the skills to do their job • Know what their job is • Are trained so they can do their job effectively • Are evaluated on their performance <p>A state entity's ability to both realize its goals and objectives and to address unforeseen problems depends on how well it can secure, manage, and evaluate human resources. The processes should also be designed to ensure that management has structured the agency in a manner conducive to communication and accomplishment of the strategic plans and one that provides for appropriate supervision and oversight.</p>	
<p>Planning and Job Analysis</p>	<p>Analyzing, anticipating, and meeting the entity's need for sufficient and appropriate human resources, and doing so in a manner which supports the entity's mission, goals, and objectives</p>
<p>Classification</p>	<p>Providing functional job descriptions for all employees; summarizing the most important features of a job, including minimum qualifications, duties and responsibilities, and the level of work performed</p>
<p>Recruitment/Selection</p>	<p>Effectively managing applicant skills and interests with agency staffing needs, job requirements, assignments, and tasks in a manner that complies with agency's goals, objectives, and applicable laws (includes proper posting and/or advertising of positions)</p>
<p>Performance Appraisals/Evaluations</p>	<p>Assessing employee job performance to develop human resources and contribute to the entity's overall mission; evaluations should be performed in a timely manner, provide written feedback, and should be based on accurate and comprehensive job descriptions.</p>
<p>Development</p>	<p>Providing training and development programs that optimize employee productivity, enhance professional and personal development, and assist the entity in accomplishing its goals and objectives</p>
<p>Compensation/Rewards</p>	<p>Ensuring that the compensation and benefit system effectively controls labor costs, improves employee productivity, and boosts quality of service; compensation and personnel actions should be supported by documentation and tied to performance appraisals.</p>

Assessing Risk in Key Accountability Control Systems

Policy Management Definitions
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Human Resources and Organizational Structure, continued	
Employee Relations	Ensuring there are systems in place to address employee concerns, and at the same time ensure that an agency's liabilities are minimized
Accountability	Complying with statutes such as the Equal Employment Opportunity Act, Title VII, the Americans with Disabilities Act, FLSA, Family Leave, Travel, etc.
Organization	<p>Providing a structure that allows for communication up, down, and across divisional lines (includes establishing channels of communication for employees to make suggestions and to report suspected improprieties)</p> <p>Grouping similar tasks into work units for maximum efficiency and coordination</p> <p>Reviewing staffing levels to ensure that the resources are allocated appropriately to accomplish the strategies</p> <p>Clearly assigning the lines of responsibility and the commensurate authority for core processes so that each person involved knows his or her responsibility</p>
Supervision	Directing the efforts of employees to achieve agency goals (includes giving instructions, reviewing work performed, and making decisions); consideration of this process should include span of control as well as problem-solving and decision-making methods.

Assessing Risk in Key Accountability Control Systems

Policy Management Definitions

Human Resources and Organizational Structure, concluded

Oversight

Role of Board/Management - Approving and monitoring strategic planning and implementation of the strategic plan

Taking an active and appropriate role in overseeing the activities of the agency—not managing daily operations

(Includes frequency and timeliness with which meetings are held and with which information is provided for monitoring as well as problem-solving and decision-making methods)

Role of Internal Auditor - Reporting to a level high enough in the organization to provide maximum independence, allowing the internal auditor the freedom to conduct audits according to risk

Using the internal audit function appropriately (includes regular meetings and access to the audit committee and/or board)

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Assessing Risk in Key Accountability Control Systems

Policy Management Assessing Your Risk

On a scale of 1 (low risk) to 4 (high risk), rank your organization for each item below. If an item is not applicable to your organization, rank it "0." For those items ranked 3 or 4, consideration should be given to what corrective actions will reduce or limit risk.

Planning and Budgeting

	<u>Planning</u>	<u>Budgeting</u>
1. All levels of the organization are included in the planning and budgeting processes. (1) Always (2) Frequently (3) Sometimes (4) Never	_____	_____
2. A formal, detailed, structured plan and budget with explicit objectives are prepared. (1) Always (2) Frequently (3) Sometimes (4) Never	_____	_____
3. Planning is based on current and historical information which is both relevant and reliable. (1) Never (2) Sometimes (3) Usually (4) Always	_____	N/A
4. Other agencies'/institutions' missions/objectives are considered in planning to avoid duplication. (1) Always (2) Frequently (3) Sometimes (4) Not at all	_____	N/A
5. The overall budget is developed based only on reliably projected resources. (1) Always (2) Usually (3) Sometimes (4) Not at all	N/A	_____
6. Milestones are established to measure goal attainment. (1) Always (2) Frequently (3) Sometimes (4) Not at all	_____	_____
7. The sufficiency, accuracy, and timeliness of operational budget reports for budget monitoring are: (1) Excellent (2) Very good (3) Average (4) Poor	N/A	_____
8. Contingencies are considered in plans and budgets. (1) Always (2) Frequently (3) Sometimes (4) Never	_____	_____

Assessing Risk in Key Accountability Control Systems

Policy Management Assessing Your Risk

Planning and Budgeting, concluded

	<u>Planning</u>	<u>Budgeting</u>
9. Adverse changes by the following would impact plan and/or budget:		
(1) Not at all (2) Minimally (3) Severely (4) Not known		
a. Economic conditions (at all levels)	_____	_____
b. Federal funding	_____	_____
c. Legislative restrictions and/or regulatory changes	_____	_____
d. Program changes and/or cuts	_____	_____
e. Agency operations (for example, leadership)	_____	_____
f. Election results	_____	_____
g. Catastrophe (natural or other)	_____	_____

Policies and Procedures

1. All policies are developed to be consistent with the organization's mission, objectives, and goals.				
(1) Always	(2) Usually	(3) Sometimes	(4) Rarely	_____
2. All levels of the organization are encouraged to provide input into the development of policies and procedures.				
(1) Always	(2) Frequently	(3) Sometimes	(4) Rarely	_____
3. Consideration of other organizations' missions, policies, and procedures is given when developing policies and procedures.				
(1) Always	(2) Frequently	(3) Sometimes	(4) Never	_____
4. The organization is governed by unwritten policies.				
(1) Never	(2) Infrequently	(3) Sometimes	(4) Usually	_____
5. The impact of unwritten policies is:				
(1) Positive	(2) Beneficial	(3) Confusing	(4) Negative	_____

Assessing Risk in Key Accountability Control Systems

Policy Management Assessing Your Risk

Policies and Procedures, concluded

- | | | | | | | |
|------------|---|----------------|---------------|----------------|--|-------|
| 6. | Policies and procedures are reviewed and updated as conditions cause changes to the goals and objectives. | | | | | |
| | (2) Usually | (3) Frequently | (4) Sometimes | (4) Not at all | | _____ |
| 7. | The organization has in place methods for measuring the effectiveness of policies and procedures, and results are linked to the planning process. | | | | | |
| | (1) Always | (2) Frequently | (3) Sometimes | (4) Not at all | | _____ |
| 8. | Procedures are comprehensive, explicit, written, communicated, understood, and consistently applied throughout the organization. All procedures are clearly written and communicated to the appropriate personnel. | | | | | |
| | (1) Always | (2) Usually | (3) Sometimes | (4) Not at all | | _____ |
| 9. | Policies and procedures conform to all laws, regulations, mandates, and contracts. | | | | | |
| | (1) Always | (2) Usually | (3) Sometimes | (4) Not at all | | _____ |
| 10. | Policies and procedures are communicated to all other organizations and individuals as applicable. | | | | | |
| | (1) Always | (2) Usually | (3) Sometimes | (4) Not at all | | _____ |
| 11. | There is adequate oversight and coordination for the development, implementation, and administration of the organization's policies and procedures. | | | | | |
| | (1) Always | (2) Usually | (3) Sometimes | (4) Not at all | | _____ |

Human Resources and Organizational Structure

- | | | | | | | |
|-----------|---|----------------|---------------|------------|--|-------|
| 1. | The agency utilizes a formal organizational chart. All levels of responsibility are clearly indicated by the organizational chart. | | | | | |
| | (1) Always | (2) Frequently | (3) Rarely | (4) Never | | _____ |
| 2. | The structure of the organization is designed to further its objectives. | | | | | |
| | (1) Usually | (2) Frequently | (3) Sometimes | (4) Rarely | | _____ |
| 3. | The functions in the organization are logically grouped to avoid duplication of effort. | | | | | |
| | (1) Usually | (2) Frequently | (3) Sometimes | (4) Rarely | | _____ |

Assessing Risk in Key Accountability Control Systems

Policy Management Assessing Your Risk

Human Resources and Organizational Structure, continued

4. **All levels of the organization are included in determining staffing needs and policies.**
(1) Usually (2) Frequently (3) Sometimes (4) Rarely _____
5. **The organization maintains or uses (contracts out) a qualified and knowledgeable human resources department.**
(1) Always (2) Frequently (3) Sometimes (4) Never _____
6. **A formal system is used to identify, plan for, and meet staffing needs.**
(1) Always (2) Frequently (3) Sometimes (4) Never _____
7. **The agency considers its strategic, operational, and financial plans to determine the quantity and types of positions required in each functional area.**
(1) Usually (2) Frequently (3) Sometimes (4) Rarely _____
8. **Each position has a written detailed job description, minimum qualifications, and expectations.**
(1) Usually (2) Frequently (3) Sometimes (4) Rarely _____
9. **Abnormal attrition rates are reviewed by and reported to the appropriate authority(ies) on a timely basis.**
(1) Always (2) Usually (3) Sometimes (4) Not at all _____
10. **Staffing levels do not exceed the required manpower needed to effectively achieve the organizational objectives.**
(1) Always (2) Usually (3) Sometimes (4) Rarely _____
11. **Each employee meets his/her position's minimum requirements in order to perform at an effective level.**
(1) Usually (2) Frequently (3) Sometimes (4) Rarely _____
12. **All staffing criteria and selections are in compliance with applicable laws, regulations, and mandates.**
(1) Usually (2) Frequently (3) Sometimes (4) Rarely _____

Assessing Risk in Key Accountability Control Systems

Policy Management Assessing Your Risk

Human Resources and Organizational Structure, concluded

13. **Performance appraisals are conducted in a timely manner, usually on an annual basis or at least congruent with the entity's operating cycle. Appraisals are based on job descriptions and are documented.**

(1) Always (2) Usually (3) Frequently (4) Sometimes

14. **Personnel actions (such as hiring, firing, and promotions) are supported by appropriate documentation (evaluations which are related to job descriptions).**

(1) Always (2) Usually (3) Sometimes (4) Rarely

15. **Proper and adequate training is provided to all personnel for job enhancement and efficiency.**

(1) Always (2) Usually (3) Sometimes (4) Rarely

16. **The training and development program is reviewed to determine overall effectiveness and alignment with the entity's goals and objectives.**

(1) Always (2) Usually (3) Sometimes (4) Rarely

17. **All positions have been reviewed for compliance with the Fair Labor Standards Act. Positions have been reviewed to determine which positions are exempt from classification status.**

(1) Always (2) Usually (3) Sometimes (4) Rarely

18. **Each new employee receives adequate orientation and training about the organization's structure, policies and procedures, position requirements, and his or her role in the attainment of the organization's goals, and is properly assimilated into the work environment.**

(1) Usually (2) Frequently (3) Sometimes (4) Rarely

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Assessing Risk in Key Accountability Control Systems

Performance Management Definitions

<p>Effectiveness and Efficiency of Operations - The processes in this control area should be designed to ensure that programs and operations are evaluated to determine whether the agency is meeting goals (effectiveness) within a reasonable expenditure of resources (efficiency) and that adjustments are made as needed.</p>	
Customer Satisfaction	<p>Identifying whether customers' needs are being met and whether the delivery of products/services satisfies customers</p> <p>Addressing customer feedback through an established process</p>
Monitoring	<p>Evaluating whether programs are accomplishing their intended results, evaluating the allocation of resources among programs, and determining whether the agency is meeting its targets/goals</p> <p>Ongoing monitoring of progress toward achievement of all strategic plans, such as goals, objectives, and strategies; this involves more than the monitoring of performance measures</p> <p>Routinely monitoring the operations of the agency to obtain evidence on whether the systems of internal control are functioning effectively, including internal audit</p> <p>Providing results of monitoring to people performing and managing operations</p>
Adjustments	<p>Improving procedures based on results of feedback from monitoring functions—making the changes necessary to achieve the agency's objectives, goals, and strategies</p> <p>Aligning performance measures with strategic plans when there are changes in the entity mission or structure or when measures are determined to be ineffective or not useful</p> <p>Revising programs and/or resource allocations among programs to accomplish the intended results, aligning them with strategic planning if the agency's mission or structure changes</p> <p>Reviewing the strategic planning items (such as mission, goals, and budgets) to determine whether decisions made during planning are still appropriate, and making revisions when needed</p>

Assessing Risk in Key Accountability Control Systems

Performance Management Definitions

Performance Measurement Systems - The processes in this control area should be designed to ensure that progress toward achievement of objectives is routinely and accurately measured.

Progress Tracking	Using planned methods to effectively and efficiently capture performance measure information—routinely gathering the information
Reliability and Validity of Information	Monitoring and verifying performance measure data to ensure its accuracy, usefulness, and effectiveness

Assessing Risk in Key Accountability Control Systems

Performance Management Assessing Your Risk

On a scale of 1 (low risk) to 4 (high risk), rank your organization for each item below. If an item is not applicable to your organization, rank it "0." For those items ranked 3 or 4, consideration should be given to what corrective actions will reduce or limit risk.

Effectiveness and Efficiency of Operations

1. **Lines of responsibility are defined to avoid confusion and duplication of efforts.**
 (1) Always (2) Frequently (3) Sometimes (4) Not at all _____

2. **Economy and efficiency indicators have been established and are routinely monitored by management.**
 (1) Usually (2) Frequently (3) Sometimes (4) Rarely _____

3. **There is an appropriate balance of necessary skill levels to effectively achieve efficiency.**
 (1) Always (2) Usually (3) Sometimes (4) Rarely _____

4. **All programs are appropriately planned and scheduled allowing reasonable time and resources.**
 (1) Usually (2) Frequently (3) Sometimes (4) Rarely _____

5. **The agency has a function to review all processes for efficiency.**
 (1) Always (2) Frequently (3) Sometimes (4) Rarely _____

Performance Measurement Systems

1. **There is an ongoing monitoring process to measure the organization's progress toward the achievement of all strategic plans, goals, objectives, and strategies.**
 (1) Always (2) Usually (3) Frequently (4) Sometimes _____

2. **All programs are evaluated to determine that desired results are being achieved.**
 (1) Always (2) Usually (3) Frequently (4) Sometimes _____

3. **Management acts on performance measure results appropriately and in a timely manner.**
 (1) Always (2) Usually (3) Frequently (4) Sometimes _____

Assessing Risk in Key Accountability Control Systems

Performance Management Assessing Your Risk

Performance Measurement Systems, continued

- | | | |
|-----|--|-------|
| 4. | All monitoring results are disseminated to the appropriate operational management level for action. | |
| | (1) Always (2) Usually (3) Frequently (4) Sometimes | _____ |
| 5. | A process is in place to seek and address all customer feedback, both positive and negative. | |
| | (1) Always (2) Usually (3) Frequently (4) Sometimes | _____ |
| 6. | Efficient and effective methods are used to measure performance. | |
| | (1) Always (2) Usually (3) Frequently (4) Sometimes | _____ |
| 7. | All applicable measures are reviewed and revised, as necessary, if/when the organization's mission and/or structure changes. | |
| | (1) Always (2) Usually (3) Frequently (4) Sometimes | _____ |
| 8. | All measures are determined to have validity, reliability, coverage, and utility and are monitored to ensure accuracy, usefulness, efficiency, and effectiveness. | |
| | (1) Always (2) Usually (3) Frequently (4) Sometimes | _____ |
| 9. | Measures relate directly to the activity's objectives, plans, and goals. | |
| | (1) Always (2) Usually (3) Frequently (4) Sometimes | _____ |
| 10. | Performance is measured by a comparison of actual versus projected. | |
| | (1) Usually (2) Sometimes (3) Rarely (4) Not at all | _____ |
| 11. | After actual performance has been measured, the results are analyzed to determine how economically, efficiently, and effectively the organization has performed. | |
| | (1) Usually (2) Sometimes (3) Rarely (4) Not at all | _____ |
| 12. | Results are fed back into the planning process so that corrective action may be taken. | |
| | (1) Usually (2) Sometimes (3) Rarely (4) Not at all | _____ |

Assessing Risk in Key Accountability Control Systems

Performance Management Assessing Your Risk

Performance Measurement Systems, concluded

13. **Agency departments perform self-assessments of management controls; internal or external auditors provide an independent appraisal of management controls.**

(1) Usually

(2) Sometimes

(3) Rarely

(4) Not at all

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Assessing Risk in Key Accountability Control Systems

Information Management Definitions

Information Flow and Communication - The processes in this control area should be designed to ensure that the agency knows its information needs, that information is available and accurate, and that it is appropriately maintained. Information systems may be automated, manual, or a combination of both.	
Selection	Identifying what information is needed for all levels of the organization, executive and operational (includes identifying what level of detail is needed for various users)
Collection	Gathering information from appropriate sources
Classification	Classifying information to accurately reflect what has occurred and organizing it for use
Evaluation	Analyzing information available for decision-making
Updating	Reviewing data systems and data elements per current needs and modifying current systems or deleting obsolete systems
Reporting	Delivering complete and accurate information (management, financial, and program information) in a timely manner to users, both internal and external users (Includes recording receipts and disbursements to the correct object/strategy and allocating indirect costs appropriately)
Storage	Storing information to make it accessible and available for later use. This may include legal requirements to keep information for a specific time period. Maintaining information and keeping it up-to-date

Automation - The processes in this control area should be designed to ensure that the general environment and computer applications are developed, maintained, and protected.	
Needs Analysis	Performing an agencywide analysis before purchasing and developing new systems, both hardware and software, to determine what needs exist and to ensure they can be met; analysis should be based on a thorough understanding of the agency and its programs. (Includes development of the agency's information management plan)

Assessing Risk in Key Accountability Control Systems

Information Management Definitions

Automation, concluded	
Development Cycle	Systematically developing and modifying systems to ensure they are planned, monitored, tested, and evaluated; sufficient project management tools should be in place to ensure that controls are built into the system being developed.
Physical Security	Providing an environment that protects hardware and software from damage by unauthorized individuals and elements such as water, temperature, and fire
Disaster Recovery	Developing, maintaining, and testing a plan to keep computer operations running in the event of a disaster
Access	Limiting access to systems and applications to only those employees whose job responsibilities require access
Input	Validating that data entered is authorized and accurate (includes authorization for editing and accuracy of totals, etc.)
Processing	Validating that all transactions entered are correctly processed (includes performing edit checks, totaling batches, etc.)
Output	Reviewing output to ensure completeness and limiting availability and distribution of output to only those employees whose job responsibilities require the information
Interfaces	Determining interface needs of the agency, then designing and testing interfaces to ensure completeness and accuracy of data exchange

Assessing Risk in Key Accountability Control Systems

Information Management Assessing Your Risk

On a scale of 1 (low risk) to 4 (high risk), rank your organization for each item below. If an item is not applicable to your organization, rank it "0." For those items ranked 3 or 4, consideration should be given to what corrective actions will reduce or limit risk.

Information Flow and Communication

1. **All levels of the organization are involved in identifying informational needs and the degree of detail.**

(1) Usually (2) Frequently (3) Sometimes (4) Rarely

2. **A prioritized hierarchy of informational needs and access has been established and is routinely reviewed and revised.**

(1) Usually (2) Frequently (3) Sometimes (4) Rarely

3. **Relevant and pertinent information is obtained from the appropriate source(s).**

(1) Always (2) Usually (3) Frequently (4) Sometimes

4. **Informational data is stored and readily accessible as prescribed by all applicable laws and regulations.**

(1) Always (2) Usually (3) Frequently (4) Sometimes

5. **Management information is delivered in a complete, accurate, and timely manner to all appropriate users.**

(1) Always (2) Usually (3) Frequently (4) Sometimes

6. **Duplication of data is avoided; obsolete data is regularly purged.**

(1) Always (2) Usually (3) Frequently (4) Sometimes

7. **Personnel are encouraged to participate in multi-directional communications without restrictions.**

(1) Always (2) Usually (3) Frequently (4) Sometimes

8. **The agency communicates effectively both internally and externally.**

(1) Usually (2) Frequently (3) Sometimes (4) Rarely

Assessing Risk in Key Accountability Control Systems

Information Management Assessing Your Risk

Information Flow and Communication, concluded

9. **Information technology(ies) and methods of communication are reviewed to determine their effectiveness in supporting attainment of the organization’s mission, goals, and objectives.**

(1) Always (2) Frequently (3) Sometimes (4) Rarely _____

10. **The organization identifies, captures, processes, and communicates information needed by others, both internal and external, in a form and time frame that is beneficial.**

(1) Usually (2) Frequently (3) Sometimes (4) Rarely _____

Automation

1. **Organizational needs are fully analyzed prior to purchasing, developing, and/or upgrading automation.**

(1) Always (2) Frequently (3) Sometimes (4) Rarely _____

2. **The cost versus benefit of in-house automation versus outsourcing service is considered.**

(1) Usually (3) Frequently (3) Sometimes (4) Not at all _____

3. **Other organizations’ needs and capabilities are considered in automation decisions.**

(1) Always (2) Usually (3) Sometimes (4) Rarely _____

4. **A disaster backup and recovery plan is in place and is routinely reviewed and revised.**

(1) Usually (3) Frequently (3) Sometimes (4) Rarely _____

5. **Access is limited and provided on a “need-to-know” basis, which facilitates fulfillment of each position’s needs.**

(1) Always (2) Usually (3) Sometimes (4) Rarely _____

Assessing Risk in Key Accountability Control Systems

Information Management Assessing Your Risk

Automation, concluded

6. **All transactions are authorized, entered, processed, and checked.**

(1) Usually (2) Frequently (3) Sometimes (4) Rarely

7. **Executive management is actively involved in the planning and use of the agency's information resources.**

(1) Always (2) Frequently (3) Sometimes (4) Rarely

8. **Adequate security procedures have been developed to prevent unauthorized access and/or damage to the system.**

(1) Always (2) Frequently (3) Sometimes (4) Not at all

9. **Available output data is checked for completeness and accuracy and is limited to authorized personnel only.**

(1) Always (2) Frequently (3) Sometimes (4) Rarely

10. **A systematic process is employed to ensure new systems are planned, monitored, tested, and properly evaluated.**

(1) Always (2) Usually (3) Frequently (4) Sometimes

11. **The system hardware and software applications are fully understood and comply with the organization's information management plan.**

(1) Always (2) Usually (3) Frequently (4) Sometimes

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Assessing Risk in Key Accountability Control Systems

Resource Management - Assets Definitions

Cash - The processes in this control area should be designed to ensure that the cash activity of the agency is adequately controlled. “Cash” is a resource with a high risk of fraud and abuse and should be controlled accordingly.	
Balances	Monitoring, reconciling, and confirming cash balances to ensure accuracy of recorded activity
Management	Managing the cash flow of the organization (includes forecasting, consideration of cyclical or seasonal activities, and ensuring agency is not penalized for holding federal cash or failing to make vendor payments in a timely manner)
Custody	Safeguarding any cash held by the agency or a depository agent
Collateral	Establishing a formal relationship with banks or other depository agents Requiring a depository agent to provide adequate collateral to cover the amounts on deposit (includes monitoring collateral levels)

Investments - The processes in this control area should be designed to ensure that sound investment decisions are made and that investments are protected, authorized, and maximized.	
Acquisition	Identifying who is authorized to initiate investment purchases and ensuring that only authorized legal investments are made
Custody	Safeguarding any investments held by the agency or a depository agent
Performance	Establishing an investment policy and reviewing the results of applying that policy, which should include conflict of interest restrictions Evaluating performance controls in relation to maximization of income versus level of risk taken
Disposal	Identifying who is authorized to sell or redeem investments and ensuring that all proceeds are appropriately delivered to the agency

Assessing Risk in Key Accountability Control Systems

Resource Management - Assets Definitions

<p>Loans and Contracts - The processes in this control area should be designed to ensure that amounts due from loans the agency has made are collected. The processes for this asset are closely tied to the Miscellaneous Revenues processes. Generally the assessments for loans and contracts processes will be the same as the assessments for loan repayment revenues processes.</p>	
Notification	<p>Ensuring that the payor knows how much to pay, when to pay, and how to pay the amounts due to the agency</p>
Collection	<p>Identifying collectible loan payments and verifying collection</p> <p>Performing auditing and other enforcement procedures to collect loan payments that have not been paid</p>

Receivables - The processes in this control area should be designed to ensure that amounts due to the agency from sources other than loans are collected. The processes for this asset are closely tied to the related revenues processes. Generally the assessments for receivables processes will be the same as the assessments for the related revenues processes.

<p>Inventories - The processes in this control area should be designed to ensure that consumable inventories are effectively managed, economically purchased and used, and protected against waste and abuse. The cost effectiveness of inventory management should be considered.</p>	
Acquisition	<p>Purchasing inventory in accordance with agency needs (economic order points, stock levels, quality criteria) and legal requirements (includes bids where applicable)</p> <p>Receiving and inspecting inventory purchases</p>
Storage	<p>Storing inventory to protected it from theft, exposure to elements, and waste</p> <p>Keeping track of inventory on hand, including periodic counts</p> <p>Evaluating storage and distribution costs</p>
Usage	<p>Using inventory for legitimate and authorized purposes</p> <p>Distributing to authorized users</p>

Assessing Risk in Key Accountability Control Systems

Resource Management - Assets Definitions

Inventories, concluded	
Disposal	Disposing of obsolete inventory, when necessary, in a manner to minimize loss Disposing of hazardous materials in compliance with local, state, and federal requirements Providing obsolete inventory identification methods

Property and Equipment - The processes in this control area should be designed to ensure that property and equipment, both capitalized and non-capitalized, are economically purchased, appropriately used, and adequately protected against waste and abuse.	
Acquisition	Purchasing fixed assets in accordance with agency needs and legal requirements (includes bids where applicable) Obtaining legal titles to property where applicable
Safeguarding	Storing fixed assets to protect them from theft, exposure to elements, and waste Keeping track of fixed assets, including periodic counts Assigning responsibility for items
Depreciation	Assessing the wear and tear on fixed assets over time to help determine need for replacement and/or repair (repairs and maintenance are cost effective)
Disposal	Disposing of obsolete assets, when necessary, in a manner to minimize loss Disposing of assets in compliance with state and federal requirements Providing obsolete asset identification methods

Assessing Risk in Key Accountability Control Systems

Resource Management - Assets Definitions

Plant and Other Assets - The processes in this control area should be designed to ensure that plant and other assets are economically purchased/constructed, appropriately recognized and valued, and adequately protected from waste and abuse.	
Construction	Managing the construction of assets from conception through completion of the project Obtaining the legal titles to real property where applicable
Maintenance and Renovation	Analyzing the condition of plant assets and determining the need for repair or renovation (repairs and renovations are cost effective)
Recognition	Recognizing the existence of other assets and providing for appropriate valuation of these assets
Safeguarding	Storing other assets to protect them from theft, exposure to elements, and waste Keeping track of the assets as needed

Assessing Risk in Key Accountability Control Systems

Resource Management - Assets Assessing Your Risk

On a scale of 1 (low risk) to 4 (high risk), rank your organization for each item below. If an item is not applicable to your organization, rank it "0." For those items ranked 3 or 4, consideration should be given to what corrective actions will reduce or limit risk.

Cash

1. **All cash funds are properly accounted for and appropriately deposited as prescribed by laws, regulations, and statutes.**
(1) Always (2) Usually (3) Frequently (4) Sometimes _____
2. **All cash flow and fund balances are continuously monitored, reconciled, and confirmed to ensure accuracy.**
(1) Always (2) Usually (3) Frequently (4) Sometimes _____
3. **Cash processing duties are appropriately segregated and monitored by management.**
(1) Usually (2) Sometimes (3) Rarely (4) Not at all _____
4. **Cash forecasting is performed and includes cyclical and seasonal conditions.**
(1) Usually (2) Sometimes (3) Rarely (4) Not at all _____
5. **Cash management is employed to prevent the organization from suffering penalties for holding federal cash and/or failure to make vendor payments on a timely basis.**
(1) Always (2) Usually (3) Frequently (4) Sometimes _____
6. **All cash funds in either the organization's custody and/or a depository agent's custody are properly safeguarded in accordance with all laws, regulations, and statutes.**
(1) Always (2) Usually (3) Frequently (4) Sometimes _____
7. **All depository agents are monitored to ensure adequate collateral levels are maintained to cover the amounts on deposit, as required by all laws, regulations, and statutes.**
(1) Always (2) Usually (3) Frequently (4) Sometimes _____

Assessing Risk in Key Accountability Control Systems

Resource Management - Assets Assessing Your Risk

Cash, concluded

8. **Satisfactory formal relationships with banks and/or depository agents have been established.**
- (1) Always (2) Usually (3) Frequently (4) Not at all _____
9. **Plans have been prepared and are effectively utilized for both short-term and long-term cash requirements.**
- (1) Always (2) Usually (3) Frequently (4) Sometimes _____

Investments

1. **A formal investment policy has been developed that clearly documents the organization's expectations regarding risk management of public funds.**
- (1) Always (2) Sometimes (3) Rarely (4) Not at all _____
2. **All organizational investments are authorized and are in conformity with all applicable laws, regulations, and statutes.**
- (1) Always (2) Usually (3) Frequently (4) Sometimes _____
3. **Only those authorized and empowered by governance to initiate investment purchases do so.**
- (1) Always (2) Usually (3) Frequently (4) Sometimes _____
4. **A depository agent is utilized to safeguard all organizational investments.**
- (1) Always (2) Sometimes (3) Rarely (4) Not at all _____
5. **Only those authorized and empowered by governance to sell and/or redeem investments do so.**
- (1) Always (2) Usually (3) Frequently (4) Sometimes _____
6. **All proceeds from the sale and/or redemption of investments are appropriately delivered to and deposited by the appropriate organization personnel.**
- (1) Always (2) Usually (3) Frequently (4) Sometimes _____

Assessing Risk in Key Accountability Control Systems

**Resource Management - Assets
Assessing Your Risk**

Investments, concluded

7. **Investment performance controls are evaluated in relation to maximization of income versus the level of risk taken.**
- (1) Always (2) Sometimes (3) Rarely (4) Not at all _____
8. **Conflict(s) of interest restrictions are assigned a high priority in investment decisions.**
- (1) Usually (2) Sometimes (3) Rarely (4) Not at all _____

Loans and Contracts

1. **All loans made by the organization are in accordance with all applicable laws, regulations, and statutes.**
- (1) Usually (2) Frequently (3) Sometimes (4) Rarely _____
2. **All loans granted by the organization are formally reviewed and approved by the appropriately authorized level of management.**
- (1) Always (2) Usually (3) Frequently (4) Sometimes _____
3. **The loan agreements specifically set forth the payment amount, method of remittance, and due date(s), and they are duly noted and understood by all parties concerned.**
- (1) Always (2) Frequently (3) Sometimes (4) Rarely _____
4. **All payments due from loans are collected, when due, in accordance with the terms of the loan agreement.**
- (1) Usually (2) Frequently (3) Sometimes (4) Rarely _____
5. **The status of all loans and contracts are monitored and reviewed by appropriate management personnel.**
- (1) Usually (2) Frequently (3) Sometimes (4) Rarely _____

Assessing Risk in Key Accountability Control Systems

**Resource Management - Assets
Assessing Your Risk**

Loans and Contracts, concluded

- | | | |
|-----|---|-------|
| 6. | Routine audits are performed to verify that all loan and contract amounts due have, in fact, been collected and properly recorded in a timely manner. | |
| | (1) Usually (2) Sometimes (3) Rarely (4) Not at all | _____ |
| 7. | Enforcement procedures are in place and utilized for collection of any/all delinquent and/or defaulted loans. | |
| | (1) Usually (2) Frequently (3) Sometimes (4) Never | _____ |
| 8. | Procedures have been established for the collection or remedy of any/all loan and/or contract amount(s) determined to be in default and uncollectible. | |
| | (1) Usually (2) Frequently (3) Sometimes (4) Never | _____ |
| 9. | No loan or contractual obligation (principal, interest, penalty, fee, etc.) is relieved or reduced without proper cause and then only by the appropriately authorized level of management. | |
| | (1) Always (2) Usually (3) Frequently (4) Sometimes | _____ |
| 10. | All loans requiring collateralization must be appraised, have any/all liens identified, and have any/all title perfected. | |
| | (1) Usually (2) Frequently (3) Sometimes (4) Seldomly | _____ |
| 11. | All loans must prove the borrower's creditworthiness prior to funds disbursement. | |
| | (1) Usually (2) Frequently (3) Sometimes (4) Seldomly | _____ |

Receivables

- | | | |
|----|--|-------|
| 1. | The organization has established documented policies and procedures regarding the issuance of credit; its terms and conditions; and is in compliance with all laws, regulations, and statutes, including the constitution's limitations on extension of the State's credit. | |
| | (1) Always (2) Usually (3) Frequently (4) Sometimes | _____ |

Assessing Risk in Key Accountability Control Systems

Resource Management - Assets Assessing Your Risk

Receivables, concluded

2. **No receivable obligation, regardless of amount, is forgiven (partially or completely) without due cause, and then only after being fully documented, authorized by the appropriate level of management, and in compliance with all applicable laws, regulations, and statutes.**

(1) Always (2) Usually (3) Frequently (4) Sometimes

3. **Aging and ratio analyses are routinely performed on all accounts receivable balances.**

(1) Usually (2) Frequently (3) Sometimes (4) Not at all

4. **Routine audits are performed to verify receivable balances are legitimate and are not fictitious claims.**

(1) Usually (2) Sometimes (3) Rarely (4) Never

5. **Adequate segregation of duties has been established for accounts receivable activities.**

(1) Always (2) Usually (3) Frequently (4) Not at all

6. **Enforcement procedures are in effect and employed to collect any and all delinquent accounts.**

(1) Always (2) Usually (3) Frequently (4) Not at all

7. **Management reviews are made for the completeness, accuracy, and timeliness of data input/output, reporting, invoice processing, remittance processing, debit/credit memorandum processing, and bad debt collection and these results are then effectively used to reevaluate and revise the system.**

(1) Always (2) Usually (3) Frequently (4) Sometimes

8. **Billing totals are reconciled to the accounts receivable control account.**

(1) Usually (2) Frequently (3) Sometimes (4) Not at all

9. **Payment performance and balance size are appropriately monitored as a major determining factor regarding the level of credit granted and/or the extension or withdrawal of future increases or decreases.**

(1) Usually (2) Frequently (3) Sometimes (4) Not at all

Assessing Risk in Key Accountability Control Systems

Resource Management - Assets Assessing Your Risk

Inventories

1. **All items of inventory are procured through the prescribed method as stipulated by applicable policies, procedures, laws, regulations, and statutes.**
(1) Usually (2) Sometimes (3) Rarely (4) Not at all _____
2. **All levels of the organization's needs are considered prior to purchasing to make use of any and all quantity discounts offered by the vendor and to avoid over stocking and duplicate purchasing.**
(1) Usually (2) Sometimes (3) Rarely (4) Not at all _____
3. **All inventory items received are compared to purchase order(s) for accuracy and product type and are inspected for quality and condition, noting any/all discrepancies.**
(1) Usually (2) Sometimes (3) Rarely (4) Not at all _____
4. **Proper safeguards are in place and used to protect inventory items from damage, theft, and waste, and to ensure they are only issued to authorized personnel.**
(1) Usually (2) Sometimes (3) Rarely (4) Not at all _____
5. **Inventory records are maintained and periodic physical inventories are performed (by personnel not directly related to inventory control) reconciling actual count to recorded inventory, with all significant variations investigated and explained, damaged and/or obsolete items identified, and records properly adjusted.**
(1) Usually (2) Sometimes (3) Rarely (4) Not at all _____
6. **Inventory stock levels are routinely reviewed, economic reorder points are established, quality criteria is established, and competitive bids are solicited based on the organization's needs.**
(1) Usually (2) Sometimes (3) Rarely (4) Not at all _____
7. **When authorized by law, the organization establishes purchasing contracts with selected vendors.**
(1) Usually (2) Sometimes (3) Rarely (4) Not at all _____

Assessing Risk in Key Accountability Control Systems

**Resource Management - Assets
Assessing Your Risk**

Inventories, concluded

- 8. When purchases are made from vendors not submitting the lowest bid, the reason(s) for vendor selection is identified and is approved by the appropriate authorized level of management.**

(1) Always (2) Usually (3) Sometimes (4) Never

- 9. Appropriate inventory purchasing, receiving, maintenance, usage, and disposal polices have been established by the appropriate level(s) of the organization and are periodically reviewed and updated.**

(1) Usually (2) Sometimes (3) Rarely (4) Not at all

- 10. Any and all hazardous materials are stored and disposed of in accordance with any and all applicable local, state, and federal rules, regulations, and laws.**

(1) Always (2) Usually (3) Sometimes (4) Never

Property and Equipment

- 1. All procurement, disposal, retirement, and/or repair of property and equipment, both capitalized and non-capitalized, is/are determined by the appropriate authorized level(s) of the organization with consideration of its needs and in compliance with all laws, regulations, statutes, and mandates.**

(1) Always (2) Usually (3) Frequently (4) Sometimes

- 2. The organization has adequate safeguards to ensure any/all retired property and equipment are removed from the active records and that any/all proceeds from sale or salvage are properly accounted for.**

(1) Always (2) Usually (3) Frequently (4) Sometimes

- 3. The organization forecasts the material acquisition(s) and/or repair(s) of property and equipment and is appropriately included in its planning and budgetary processes.**

(1) Usually (2) Frequently (3) Sometimes (4) Not at all

Assessing Risk in Key Accountability Control Systems

Resource Management - Assets Assessing Your Risk

Property and Equipment, concluded

4. **Competitive bids, when necessary, are solicited for material property and equipment acquisitions based on predetermined criteria.**
(1) Always (2) Usually (3) Frequently (4) Never _____
5. **When the organization purchases property and/or equipment from someone other than the lowest bidder, the reason for selection is identified and is approved by the appropriate authorized level of management.**
(1) Always (2) Usually (3) Frequently (4) Sometimes _____
6. **The organization has adequate procedures to report and control the movement and disposition of all property and equipment in its custody.**
(1) Always (2) Usually (3) Frequently (4) Sometimes _____
7. **Procedures are in place that adequately report and review actual expenditures for property and equipment against approved authorized expenditures.**
(1) Usually (2) Frequently (3) Sometimes (4) Not at all _____
8. **Complete and accurate property and equipment records are maintained and periodic “spot checks” and physical inventories are conducted to ensure record accuracy and physical existence, noting obsolete items, items in need of repair/renovation, and items needing replacement based on assigned life and/or appraisal.**
(1) Usually (2) Frequently (3) Sometimes (4) Not at all _____
9. **Proper safeguards have been established and employed to protect property and equipment from damage, theft, misuse, abuse, neglect, waste, and access and/or use by unauthorized personnel.**
(1) Always (2) Usually (3) Frequently (4) Sometimes _____

Assessing Risk in Key Accountability Control Systems

Resource Management - Assets Assessing Your Risk

Plant and Other Assets

1. **All construction, procurement, disposal, retirement and/or renovation of plant and other assets, is/are determined by the appropriately authorized level(s) of the organization with consideration to its needs and in compliance with all laws, regulations, statutes, and mandates.**

(1) Always (2) Usually (3) Frequently (4) Sometimes

2. **In procurement of property and equipment, especially regarding real property, the organization obtains a perfected legal title.**

(1) Always (2) Usually (3) Frequently (4) Sometimes

3. **The organization has adequate safeguards to ensure any/all retired plant and other assets are removed from the active records and that any/all proceeds from sale or salvage are properly accounted for.**

(1) Always (2) Usually (3) Frequently (4) Sometimes

4. **The organization forecasts the material construction program(s), acquisition(s), and/or renovation(s) of plant and other assets, which are then appropriately included in its planning and budgetary processes.**

(1) Usually (2) Frequently (3) Sometimes (4) Not at all

Assessing Risk in Key Accountability Control Systems

Resource Management - Assets Assessing Your Risk

Plant and Other Assets, concluded

- | | | |
|-----|---|-------|
| 5. | Competitive bids, when necessary, are solicited for material plant and other asset construction and/or acquisitions based on predetermined criteria. | |
| | (1) Always (2) Usually (3) Frequently (4) Never | _____ |
| 6. | When the organization contracts for the construction and/or purchase of plant and/or other assets from someone other than the lowest bidder, the reason for its selection is identified and is approved by the appropriate authorized level of management. | |
| | (1) Always (2) Usually (3) Frequently (4) Sometimes | _____ |
| 7. | The organization has adequate procedures to manage the construction of assets from conception through completion of the project and, when applicable, obtains a perfected legal title to real property. | |
| | (1) Always (2) Usually (3) Frequently (4) Sometimes | _____ |
| 8. | Procedures are in place that adequately report and review actual expenditures against approved authorized expenditures. | |
| | (1) Usually (2) Frequently (3) Sometimes (4) Not at all | _____ |
| 9. | Complete and accurate asset records are maintained and periodic physical inventories are conducted to ensure recorded accuracy and physical existence, noting items in need of repair/renovation and items needing replacement. | |
| | (1) Usually (2) Frequently (3) Sometimes (4) Not at all | _____ |
| 10. | Proper safeguards have been established and employed to protect assets from damage, theft, misuse, abuse, neglect, waste, and access and/or use by unauthorized personnel. | |
| | (1) Always (2) Usually (3) Frequently (4) Sometimes | _____ |
| 11. | Buildings and equipment are maintained in good condition. Repairs are made on a timely basis. | |
| | (1) Usually (2) Frequently (3) Sometimes (4) Not at all | _____ |

Assessing Risk in Key Accountability Control Systems

Resource Management - Liabilities Definitions

<p>Bonds - The processes in this control area should be designed to ensure that issuing debt is appropriate, authorization has been received, and repayment of bonds and long-term debt is received.</p>	
Needs Analysis	Analyzing cash flow and agency needs to decide when debt should be issued, how much debt should be issued, and what type of debt should be issued
Issuance	Issuing of debt is done in accordance with legal and policy requirements
Performance	<p>Determining whether it is best to repay, retire, or refund debt</p> <p>Reviewing decisions about debt management to determine whether sound decisions were made</p> <p>Ensuring the agency is in compliance with bond covenants</p>
Disposal	Disposing of debt through repayment, retirement, or refunding in accordance with legal and policy requirements

Payables - The processes in this control area should be designed to ensure that obligations related to operating or program expenses, as applicable, are appropriate. The processes for this liability are closely tied to the applicable Operating and Program Expenditures processes. Generally, the assessments for payables processes will be the same as the assessments for the related expenditures processes.

<p>Other Liabilities - The processes in this control area should be designed to ensure that other liabilities of the agency are recognized, appropriately valued, and adequately protected. Often the “other liabilities” correspond to assets the agency is holding in a fiduciary capacity and the agency has an obligation to protect these funds.</p>	
Recognition	Recognizing the existence of other liabilities and providing for appropriate valuation of these assets
Custody	Maintaining responsibility for funds held for others (includes ensuring that these obligations are kept intact and not used for agency purposes)

Assessing Risk in Key Accountability Control Systems

Resource Management - Liabilities Assessing Your Risk

On a scale of 1 (low risk) to 4 (high risk), rank your organization for each item below. If an item is not applicable to your organization, rank it "0." For those items ranked 3 or 4, consideration should be given to what corrective actions will reduce or limit risk.

Bonds

- 1. The agency's debt policy establishes parameters and provides general direction in the planning and implementation of a debt program.**

(1) Always (2) Frequently (3) Sometimes (4) Never _____
- 2. The agency's debt policy is used as a tool to evaluate the impact of individual bond issues on the agency's overall financial position to avoid exceeding acceptable levels of indebtedness.**

(1) Always (2) Frequently (3) Sometimes (4) Never _____
- 3. The agency's debt policy is sufficiently flexible to take advantage of market opportunities or to respond to changing conditions without jeopardizing an entity's mission, goals, and objectives.**

(1) Always (2) Usually (3) Frequently (4) Sometimes _____
- 4. There is a clear understanding of the types and timing of projects requiring financing.**

(1) Always (2) Usually (3) Frequently (4) Sometimes _____
- 5. Capital improvement needs have been identified and a plan is established to forecast spending for all anticipated capital projects.**

(1) Always (2) Usually (3) Frequently (4) Sometimes _____
- 6. Financial consultants are used to determine methods of financing and to structure debt.**

(1) Usually (2) Frequently (3) Sometimes (4) Never _____
- 7. A system is in place to monitor compliance with legal and statutory requirements.**

(1) Always (2) Usually (3) Frequently (4) Sometimes _____

Assessing Risk in Key Accountability Control Systems

Resource Management - Liabilities Assessing Your Risk

Bonds, concluded

8. **The debt management process includes procedures to monitor both internal and external conditions which could impact the entity's overall financial condition, the market, and the environment to ensure cost-savings opportunities are not overlooked.**

(1) Always (2) Usually (3) Frequently (4) Sometimes _____

Payables

1. **The agency has established documented policies and procedures, which comply with all statutory and regulatory limits, authorizing the commitment of funds.**

(1) Always (2) Usually (3) Frequently (4) Not at all _____

2. **The appropriate level of management is charged with the disbursement of organizational funds for overall cash management and to satisfy debt.**

(1) Always (2) Usually (3) Frequently (4) Sometimes _____

3. **The agency has an established procedure to analyze its payment patterns, including the lengths of time required to process payments and to present warrants, in order to determine if process changes are required.**

(1) Usually (2) Frequently (3) Sometimes (4) Not at all _____

4. **A policy of optimizing the use of cash by coordinating payables (disbursements) with investments, purchasing, and receivables (revenue) to maximize profitable cash flow and disbursement float is used, considering federal cash management regulations.**

(1) Usually (2) Frequently (3) Sometimes (4) Not at all _____

5. **The organization's accounts payable process provides reliable data to management, ensures efficient and effective management of disbursements, minimizes unnecessary or premature expenditures, and ensures the accurate reporting and recording of payables.**

(1) Always (2) Usually (3) Frequently (4) Sometimes _____

Assessing Risk in Key Accountability Control Systems

Resource Management - Liabilities Assessing Your Risk

Payables, concluded

6. **The organization employs an encumbrance system to ensure budgets are not “overspent” and to avoid the lapse of appropriated funds.**
- (1) Always (2) Usually (3) Sometimes (4) Not at all _____
7. **Payments for contractual goods and services are monitored to ensure that payment is for goods and services received in compliance with the contractual agreement.**
- (1) Always (2) Usually (3) Sometimes (4) Not at all _____
8. **The payable system is regularly monitored by management to ensure the completeness and accuracy of the amounts recorded, and to ensure they represent valid legal obligations of the agency to pay.**
- (1) Always (2) Usually (3) Sometimes (4) Rarely _____
9. **The agency has procedures in place to ensure compliance with statutory requirements (30 days) regarding timely payments.**
- (1) Always (2) Usually (3) Sometimes (4) Not at all _____
10. **Management routinely monitors and consistently reevaluates the system, its policies, and its procedures to ensure the security of assets and the accuracy of reports.**
- (1) Always (2) Usually (3) Sometimes (4) Rarely _____

Assessing Risk in Key Accountability Control Systems

Resource Management - Revenues Definitions

Taxes - The processes in this control area should be designed to ensure that all tax revenues due to the State have been received and processed appropriately.	
Compliance	Determining that the method of calculating or assessing taxes complies with tax laws and other statutory authority
Notification	Ensuring that the payor knows how much to pay, when to pay, and how to pay the amounts due to the agency, which is particularly important when depending on voluntary compliance with tax laws (includes controls over the use of incentives and/or penalties to get payors to submit their taxes)
Cash Receipts	Controlling and protecting all incoming cash until it is deposited (cash receipts refers to a standard set of activities which includes segregation of duties, mail opening, reconciliations, timely deposits, etc.)
Collection	Identifying collectible revenues and verifying collection (includes auditing and other enforcement procedures to collect taxes due to, but not yet received by, the State; may require an analysis and/or aging of receivables)
Resolution	Settling disputes with taxpayers for taxes and other sources of revenue for which payment is protested, either through the protest or the redetermination process

Fees - The processes in this control area should be designed to ensure that all revenues from licenses, fees, tuition, and permits that are due to the State have been received and processed appropriately.	
Compliance	Determining that the method of calculating the assessment or the amount assessed complies with statutory authority and other legal guidelines; for example, if the fee to be collected is intended to cover the cost of providing the service, controls should be in place to ensure that the cost is accurately measured.
Notification	Ensuring that the payor knows how much to pay, when to pay, and how to pay the amounts due to the agency (includes controls over the use of incentives and/or penalties to get payors to submit their payments)
Cash Receipts	Controlling and protecting all incoming cash until it is deposited (cash receipts refers to a standard set of activities which includes segregation of duties, mail opening, reconciliations, timely deposits, etc.)

Assessing Risk in Key Accountability Control Systems

Resource Management - Revenues Definitions

Grants and Contracts - The processes in this control area should be designed to ensure that the State receives as much revenue as possible from available grants and contracts. This includes ensuring that grant revenues are properly requested and that reimbursements or advances are appropriately calculated.	
Maximization	Identifying all available grant and contract sources and preparing proposals or grants to obtain these funds (includes use of indirect cost plans to recover additional funds)
Forecasting	Using a reasonable and appropriate method for determining reimbursement or advance requests (works closely in relation with cash management)

Operating - The processes in this control area should be designed to ensure that all other operating-type revenues that are due to the State have been received and processed appropriately. Operating revenues include investment income, sales of goods and services, and lottery collections.	
Invoicing	Identifying the amounts due at the time of the transaction so that the agency knows how much revenue should be collected (includes controls to ensure that the extension of credit is appropriate)
Anticipation Schedules	Identifying the amounts that should be received from investments and other financing instruments so that the agency knows how much revenue should be collected
Notification/Billing	Ensuring that the payor knows how much to pay, when to pay, and how to pay the amounts (includes controls over the use of incentives and/or penalties to get payors to submit their payments and any marketing-type activities to make customers aware of goods available for sale)
Cash Receipts	Controlling and protecting all incoming cash until it is deposited (cash receipts refers to a standard set of activities which includes segregation of duties, mail opening, reconciliations, timely deposits, etc.)
Collection	Identifying collectible revenues and verifying collection (includes auditing and other enforcement procedures to collect revenues due to, but not yet received by, the State; may require an analysis and/or aging of receivables)

Assessing Risk in Key Accountability Control Systems

Resource Management - Revenues Definitions

Miscellaneous - The processes in this control area should be designed to ensure that all other revenues have been received and processed appropriately. These revenues are generally unique to the agency and should be assessed accordingly. The largest revenues in this area are loan repayments.	
Cash Receipts	Controlling and protecting all incoming cash until it is deposited; cash receipts refers to a standard set of activities which includes segregation of duties, mail opening, reconciliations, and timely depositing.
Notification	Ensuring that the payor knows how much to pay, when to pay, and how to pay the amounts due to the agency; also includes controls over the use of incentives and/or penalties to get payors to submit their payments
Collection	Identifying revenues that should have been collected and verifying that they have been collected; includes auditing and other enforcement procedures to collect revenues due to the State that have not been received—may require an analysis and/or aging of receivables

Transfers In - The processes in this control area should be designed to ensure that transfers from other funds or agencies are appropriate.	
Allowability	Ensuring agency transfers received are legal under applicable laws and regulations

Assessing Risk in Key Accountability Control Systems

Resource Management - Revenues Assessing Your Risk

On a scale of 1 (low risk) to 4 (high risk), rank your organization for each item below. If an item is not applicable to your organization, rank it "0." For those items ranked 3 or 4, consideration should be given to what corrective actions will reduce or limit risk.

Revenues (see also Cash, Receivables)

1. **Plans are developed for forecasting and collecting revenues in compliance with legal authority or obligation to collect revenue.**

(1) Always (2) Usually (3) Sometimes (4) Never

2. **Agency management receives appropriate, sufficient, and timely information in order to manage the revenue process.**

(1) Always (2) Usually (3) Sometimes (4) Never

3. **Information is provided to payors in order for them to know when, where, how, and how much to pay.**

(1) Always (2) Usually (3) Sometimes (4) Never

4. **Revenue collected is processed as quickly as possible while providing adequate controls to safeguard receipts.**

(1) Always (2) Usually (3) Sometimes (4) Never

5. **Appropriate procedures are in place to ensure correct amounts are assessed and collected.**

(1) Always (2) Usually (3) Sometimes (4) Never

6. **Procedures are in place to ensure that revenue transactions are recorded and reported accurately and in a timely manner.**

(1) Always (2) Usually (3) Sometimes (4) Never

7. **A formal process exists to resolve disputed taxes or other protests.**

(1) Always (2) Usually (3) Sometimes (4) Never

8. **Methods used for calculating fees comply with statutory authority or other legal guidelines.**

(1) Always (2) Usually (3) Sometimes (4) Never

Assessing Risk in Key Accountability Control Systems

Resource Management - Revenues Assessing Your Risk

Revenues (see also Cash, Receivables), concluded

9. **Inventory controls are in place to ensure that fees are collected for all licenses issued.**

(1) Always (2) Usually (3) Sometimes (4) Never

10. **A process is in place to monitor, evaluate, and modify the revenue system as needed to ensure efficient processes are being used.**

(1) Always (2) Usually (3) Sometimes (4) Never

11. **Independent audits indicate irregularities in claiming reimbursements for direct/indirect costs.**

(1) Never (2) Sometimes (3) Usually (4) Always

12. **Agency “transfers in” are in accordance with applicable statutes and regulations.**

(1) Always (2) Usually (3) Sometimes (4) Never

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Assessing Risk in Key Accountability Control Systems

Resource Management - Expenditures Definitions

Personnel - The processes in this control area should be designed to ensure that compensation systems effectively control labor costs, improve employee productivity, and boost quality of services.	
Payroll Administration	Ensuring that expenditures represent payment for services actually received during the period specified and that salaries are paid from the benefitting sources (includes payroll preparation and distribution, timekeeping systems, leave records, and personnel files)
Salary Administration	Defining how employees move within the salary schedule, such as how promotions, merit raises, demotions, and reclassifications are handled (includes consistent application and appropriate documentation)
Compliance	Maintaining compliance with employment laws including FLSA, the State's classification plan, and salaries proportional by funding

Program - The processes in this control area should be designed to ensure that purchased services and other program costs are legitimate and appropriate uses of agency funds. Program expenditures include payments to service providers as well as other costs specifically associated with an agency's programs. Some examples of program expenditures are human service and unemployment benefits, university instruction and research, highway construction and maintenance, allocations to school districts, and Medicaid payments.	
Eligibility - Compliance	Determining that direct recipients of state and federal payments are eligible to receive these payments based on established criteria
Allowability - Compliance	Ensuring that money is spent as intended (includes compliance with appropriations authority and other applicable laws and regulations)

Assessing Risk in Key Accountability Control Systems

Resource Management - Expenditures Definitions

Program, concluded	
Contract Administration	<p>Clearly defining the work to be done and preparing for the request-for-proposal process</p> <p>Identifying and analyzing the need for purchased services and identifying applicable legal provisions</p> <p>Writing comprehensive and enforceable contracts (includes all necessary elements, performance requirements, and General Services Commission provisions, where applicable)</p> <p>Ensuring that procurement processes are sufficient to fairly and objectively select the best contractors</p> <p>Holding contractors accountable for delivery of quality service and preventing the inappropriate or inefficient use of public funds through sufficient contract provisions and agency regulations</p> <p>Ensuring that the State pays a fair and reasonable price for services by using sufficient methods to establish contractor reimbursements</p>
Contractor Oversight	<p>Providing quality services by measuring performance against well-documented expectations and by performing sufficient contractor oversight; contractor oversight should be sufficient to ensure that public funds are spent effectively and efficiently.</p> <p>Taking actions against contractors when needed</p>
Cash Disbursements	<p>Ensuring that payments are authorized and for the right amount (cash disbursements refers to a standard set of activities that includes supporting documentation, approvals, and mathematical accuracy)</p>

<p>Operating - The processes in this control area should be designed to ensure that expenditures for operating activities are legitimate and appropriate uses of agency funds. Operating expenditures include travel, rent, supplies, telephone, and utilities.</p>	
Allowability - Compliance	<p>Ensuring that money is spent as intended (includes compliance with appropriations authority and other applicable laws and regulations)</p>

Assessing Risk in Key Accountability Control Systems

Resource Management - Expenditures Definitions

Operating, concluded	
Cash Disbursements	Ensuring that payments are authorized and for the right amount (cash disbursements refers to a standard set of activities which includes supporting documentation, approvals, and mathematical accuracy)

Transfers Out - The processes in this control area should be designed to ensure that transfers to other funds or agencies are appropriate.	
Allowability	Ensuring that the agency has legal authority to make transfers to another fund or agency

Assessing Risk in Key Accountability Control Systems

Resource Management - Expenditures Assessing your Risk

On a scale of 1 (low risk) to 4 (high risk), rank your organization for each item below. If an item is not applicable to your organization, rank it "0." For those items ranked 3 or 4, consideration should be given to what corrective actions will reduce or limit risk.

Expenditures (see also Liabilities, Payables/Cash Disbursements)

1. **Disbursements, payables, and encumbrances are recorded on a timely basis and reflect costs that are properly allocated to the fiscal year.**

(1) Always (2) Usually (3) Sometimes (4) Never _____

2. **Financial records provide accurate information on expenditures.**

(1) Always (2) Usually (3) Sometimes (4) Never _____

3. **Controls provide adequate assurance that expenditures are for necessary goods and that services are actually received.**

(1) Always (2) Usually (3) Sometimes (4) Never _____

4. **The agency has segregation of duties regarding requisition authorization, payment preparation, receipt of goods or services, and transaction recording/accounting.**

(1) Always (2) Usually (3) Sometimes (4) Never _____

5. **Procedures are in place to ensure compliance with state and federal guidelines for eligibility and allowability.**

(1) Always (2) Usually (3) Sometimes (4) Never _____

Contract Administration

1. **Whenever feasible, and unless otherwise prohibited by law or other restrictions, contractors are selected through competitive procurement procedures.**

(1) Always (2) Usually (3) Frequently (4) Sometimes _____

Assessing Risk in Key Accountability Control Systems

Resource Management - Expenditures Assessing your Risk

Contract Administration, continued

- 2. **Past performance is considered in subsequent selection/contract renewal decisions.**

(1) Always (2) Usually (3) Frequently (4) Sometimes

- 3. **Formal documented procedures are used to assess prospective contractors' strengths and weaknesses.**

(1) Always (2) Usually (3) Frequently (4) Sometimes

- 4. **Contract provisions contain all of the following:**

(1) Always (2) Usually (3) Frequently (4) Sometimes

 - a. **Clear statements of services and goods expected from contractors**

 - b. **Clearly defined performance standards and measurable outcomes**

 - c. **Clear statements of how contractor performance will be evaluated**

 - d. **Sanctions sufficient to hold contractors accountable for failing to meet intended objectives**

 - e. **Appropriate restrictions regarding contractors' use of public funds**

 - f. **Specific audit clauses which allow the funding agency and other oversight entities access to contractors' books and records**

- 5. **Prior to the contract award, the cost of services, as well as the services themselves, are analyzed in order to determine the most effective payment methodology.**

(1) Always (2) Usually (3) Frequently (4) Sometimes

- 6. **Approval of proposed contractor budgets focus on ensuring that proposed expenses are reasonable and necessary to accomplish program objectives. Both program results and contractor efficiency are considered part of the budget approval process.**

(1) Always (2) Usually (3) Frequently (4) Sometimes

- 7. **For unit-rate contracts, the rate setting process ensures that there is a reasonable correlation between the quality of the services provided, costs of providing the services, and the rate paid.**

(1) Always (2) Usually (3) Frequently (4) Sometimes

Assessing Risk in Key Accountability Control Systems

Resource Management - Expenditures Assessing your Risk

Contract Administration, concluded

8. **Monitoring functions focus on the outcomes of services provided and the cost-effectiveness/prudence of contractor expenditures in addition to compliance with regulations.**

(1) Always (2) Usually (3) Frequently (4) Sometimes

9. **Results of monitoring reviews, audits, and investigations are routinely reevaluated to ensure corrective actions have been taken and to identify common problem areas.**

(1) Always (2) Usually (3) Frequently (4) Sometimes

10. **A formalized risk assessment process is used to select contractors for review and to identify the level of review necessary for each contractor.**

(1) Always (2) Usually (3) Frequently (4) Sometimes

11. **Standardized criteria are established to evaluate contractor performance.**

(1) Always (2) Usually (3) Frequently (4) Sometimes
