



## **Appendix B: Evaluation Tools**

### **OVERVIEW**

Appendix B to the Commonwealth of Virginia Internal Control Standards provides tools (appearing as numbered exhibits) to help agencies evaluate ARM programs, a prerequisite to signing the required certification regarding internal controls. These tools represent some suggestions out of many possibilities. In evaluating whether ARM is effective, there is no requirement that the specific techniques or tools in Appendix B must be used.

The certification signed by the agency head and senior financial officer will certify that they:

- Know of no material financial misstatements.
- Controls are designed so they would know of any misstatements.
- Internal controls have been evaluated within the timeframe designated in the Comptroller's financial statement directive.
- Presented their conclusions on the effectiveness of internal controls.
- Disclosed to the external auditor and the audit committee any significant deficiencies or material weakness in the design or operation of internal controls, as well as, any fraud involving people who have a significant role in internal controls.
- Indicated in their report any significant changes in internal controls since their evaluation.

If the agency head does not believe the internal control structure and procedures are adequate, a brief statement must be included in the signed certification explaining the weaknesses. Following the initial discussion regarding the evaluation process, Appendix B provides these sample tools:

- **Control Self-Assessments (CSA) as an Evaluation Tool.** This section discusses CSAs as an evaluation tool and offers pointers on the “who, what, when, where, why, and how” of CSAs.
- **Enterprise Risk Management Checklists.** These checklists (appearing as numbered exhibits) can be modified and used to evaluate all the components of an ARM program. The “Control Activities” section of this checklist is CARS-based, but can be adapted for agency-based systems.



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- **Checklists for Control Activities Specific to Information Systems.** These checklists should be modified and used to evaluate both the general controls (page 154) and applications controls of information systems (page 157).
- **Control Evaluation Questionnaire.** This simplified internal control evaluation tool addresses basic control concepts. This questionnaire (page 159) should be modified to fit the agency being evaluated.

An important part of the evaluation process is to perform tests to determine whether the processes and related policies and procedures purported to have been established are both appropriate to address the agency's risks and are being followed.

### Distinction between Evaluation and Monitoring

Monitoring involves performing daily or routine procedures. Evaluation involves doing periodic assessments of the organization's performance over time. Management should complete such an evaluation to answer, "Are we doing things the way we should, or the way we have planned, to accomplish our mission?"

Part of the evaluation process should cover change control for the agency's strategic plan. Regardless of the level of effort invested in periodic strategic planning, circumstances may evolve to the extent that amendments are necessary and appropriate. Good internal control requires that a formal process be followed for interim changes in strategic plans, and that a document trail be maintained so that the current plan in effect can be traced back to and reconciled with the original strategic plan distributed to the Department of Planning and Budget.

The monitoring component of ARM program includes the performance of evaluations to determine the effectiveness of ARM. The evaluations performed as part of the ARM program will put agencies in a sound position to certify to the adequacy and effectiveness of their internal controls.

### Scope and Frequency of Evaluations

ARM evaluations vary in scope and frequency, depending on the significance of risks, importance of the risk responses, and related risk management controls. Comprehensive ARM evaluation – which usually will be needed less frequently than assessment of specific parts – may be prompted by a number of reasons: major strategy or management change, acquisitions or dispositions, changes in economic or political conditions, or changes in operations or methods of processing information. In a comprehensive evaluation, attention must be given to strategy as well as significant activities. Evaluation scope also depends on which objectives categories – strategic, operations, reporting, and compliance – should be addressed.

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## Who Performs Evaluations?

Often, evaluations take the form of self-assessments, where persons responsible for a particular unit or function determine the effectiveness of ARM for their activities. For instance, the director of a division directs the evaluation of its ARM activities. The director assesses the ARM activities associated with strategic choices and high-level objectives as well as the internal environment component. Individuals in charge of the division's various operating activities assess the effectiveness of ARM components relative to their spheres of responsibility. Line managers focus on operations and compliance objectives, and the financial officer or controller focuses on reporting objectives. Senior management then considers the division's assessments, along with evaluations of the agency's other divisions.

Management may also utilize input from internal and external auditors in considering the effectiveness of ARM. A combination of efforts may be used in conducting whatever evaluative procedures management deems necessary.

Internal auditors, external specialists, or a combination thereof may conduct evaluations. Evaluations may be broad-based, with scope including the entire state agency and all ARM components. Or they may be limited to a specific organizational unit, process, or department.

## The Evaluation Process

Even though approaches and techniques vary, a certain discipline should be brought to the evaluation process. The evaluator must understand each of the agency's activities and each of the components of ARM being addressed. The evaluator must determine how the system actually works. This can be done by holding discussions with personnel who perform or are affected by ARM, by examining records on performance, or a combination of procedures. The evaluator analyzes the ARM program design and the results of tests performed. The ultimate goal is to determine whether the process provides reasonable assurance with respect to the stated objectives.

## Significant Deficiencies and Material Weaknesses in Control Design or Operation

A **control deficiency** exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. Organizations may have deficiencies in the design of a control or in its operation. Good controls in place, but not operating as designed, will eventually create problems. A worthy example would be budget variance reports being designed and delivered for management review, but the responsible persons not reviewing and acting on the information.



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### Control Design

A deficiency in design exists when a necessary control is missing or is not designed in a manner that enables the control objective to be met. A design deficiency is a perceived or real shortcoming in the control, or the control can be strengthened. For example, you might have a control in place over payroll that ensures that no one will get paid more than their authorized salary and it works fine, but what about a control that ensures no one will be paid less than their authorized salary.

### Control Operation

A deficiency in operating effectiveness exists when a properly designed control is not operating as intended or when the person performing the control lacks the authority or qualifications to do so effectively. A deficiency in the operating effectiveness could occur if performance metrics were designed but, when the process changed and the metrics required revision, no revision was performed.

For another example, suppose that a control requires monthly bank reconciliations, but the person responsible leaves the agency and reconciliations fall behind schedule. Such untimely reconciliation could cause inappropriate transactions to process and not be caught in a timely manner. This example reflects two control failures: a failure of preventative controls that should have kept the inappropriate transactions from being processed at all, followed by failure of a detective control (the reconciliation) that would have disclosed the improper processing.

### Significant Control Deficiency

**Significant control weaknesses create high risk, and management must give high priority to their resolution.**

A significant control deficiency is a deficiency (or a combination of control deficiencies) that adversely affects an agency's ability to record or report external financial data reliably in accordance with GAAP or GASB, such that there is more than a remote chance that a consequential misstatement of the agency's financial statements will not be prevented or detected. Auditors must report significant deficiencies an agency's board, audit committee, or senior management.

If the agency's management detects what appears to be a significant control deficiency, professional judgment should be applied regarding whether or not to discuss that deficiency with external or internal auditors.

- If management detects a potential significant control deficiency that may have affected previously submitted financial statements, that discovery must be reported immediately to the Auditor of Public Accounts, and to internal auditors or inspectors general as appropriate.

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- If management detects a potential significant control deficiency that does not appear to have affected previously released financial statements, that discovery may be discussed with the auditors so that they may collaborate on eliminating the deficiency.

### Material Control Weakness

**Material control weaknesses create high risk, and management must give high priority to their resolution.**

“Material” describes a significant deficiency or significant combination of deficiencies that creates a more-than-remote chance that a material misstatement in financial statements will be neither prevented nor detected. Essentially, a material weakness could result in a material misstatement. It does not mean that a material misstatement has occurred or that it will occur, but merely that it could occur. Material weaknesses existing at the fiscal year-end must be reported publicly.

A material weakness exists whenever it is likely that a financial statement misstatement will occur and the error, omission, or fraud will not be detected. These must appear in the auditor’s year-end report.

If management detects material weaknesses, management should assign priority and involve auditors in a similar fashion to significant control weaknesses (discussed in the last section).

### Methodologies and Documentation

A variety of evaluation methodologies and tools are available, including control self-assessments, checklists, questionnaires, and flowcharts. Benchmarking the ARM program against those of other agencies or organizations may also be useful. However, when making comparisons, consideration must be given to differences that always exist in objectives, facts, and circumstances.

After the initial assessment of controls, evaluators should consider testing controls that are judged to be effective or moderately effective. The tests should determine if the controls are functioning as designed and are achieving the intended objectives. Tests of controls ordinarily include procedures such as inquiries of appropriate agency personnel; inspection of documents, reports, or electronic files, indicating performance of the control; observation of the application of specific control; and testing transactions for proper application of the control.

The extent of documentation of a state agency’s ARM varies with the agency’s size, complexity, and similar factors. Yet, most organizations usually have written policy manuals, formal organization charts, written job descriptions, operating instructions, information system flowcharts, and so forth. Some aspects of ARM may be informal and undocumented, yet regularly performed and highly effective. Undocumented ARM activities may be tested in the



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same ways as documented activities. However, an appropriate level of documentation usually makes evaluations more effective and efficient.

Documentation of the evaluation process usually draws on existing documentation of the agency's ARM. Typically, this will be supplemented with additional documentation, along with descriptions of the tests and analyses performed in the evaluation. Where management intends to make a statement to external parties regarding ARM effectiveness, documentation to support the statement should be developed and retained.

### **SAMPLE EVALUATION TOOLS**

The evaluation tools included in this appendix are provided only as suggestions. If the evaluator decides to use any of the tools presented, the evaluator should modify these exhibits to suit the state agency's facts and circumstances by adding, deleting or modifying those items provided in the tool.

Control Self-Assessment (CSA) is an internal control evaluation tool that involves management and staff in the assessment of internal controls within their work group. It is a formal documented process in which management or work teams directly involved in the function or process to be assessed judge the effectiveness of the process in place and decide if the chance of reaching some or all business objectives is reasonably assured.

Regular self-assessments give management an opportunity to improve the organization by detecting problems early, and to minimize costs that may be incurred if problems continue until detected through independent assessments. Internal auditors, external auditors, and consultants who are outside of the organization can also perform independent assessments. Self-assessments can combine the skills of auditors or consultants and the employees. Auditors and consultants may have the internal control and facilitation skills and the employees have the operational expertise.

There are various ways to accomplish this purpose, from highly interactive workshops based on behavioral models at one end of the spectrum to prepackaged self-audit internal control questionnaires at the other end, and many techniques in between.

Most internal control evaluation practices involve a strong element of self-assessment. This is necessary because "soft" controls, a significant element of an ARM system, are subjective in nature and not readily assessable by an outside observer using objective evidence.

Self-assessments provide numerous benefits such as: timely feedback, reinforcement of management awareness of and responsibility for internal controls, employees' assumption of responsibility and accountability for controls management, ownership of results by participants, improved communication throughout the organization, and an environment of continuous quality process improvement.

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Many assessments will be performed at an assessable unit level. However, to get adequate coverage of the Control Environment and the Risk Assessment, Communication, and Monitoring activities which senior management carries out for the state agency as a whole, organizations should include agency-wide internal control assessments in the assessment activities. Most agency-wide reviews are performed using a questionnaire/interview format. Whatever tool is used should be tailored for the specific agency being evaluated.

## Starting a Self-Assessment

Management should begin the self-assessment process by first identifying assessable units within the agency. The managers of assessable units should have the responsibility for determining the effectiveness of the system of internal control within their respective units. In doing this self-assessment, managers should get answers to questions about the integrity of each aspect of internal control. Exhibit 43 is a questionnaire that can be adapted for unit self-evaluation.

## Exhibit 41: Assessing the System of Internal Control

Exhibit 41: Assessing the System of Internal Control	
<b>Organization</b> .....	Do the unit's objectives provide it with a clear direction?  Do people in the unit understand the objectives, and how does achieving objectives helps to accomplish the agency mission?
<b>Control Environment</b> .....	Does the control environment help to foster achievement of the unit's objectives?
<b>Assessing and Managing Risk</b> .....	Does this unit effectively identify and manage risk?
<b>Control Activities</b> .....	Has unit management established the controls needed to minimize risk?  Are these controls functioning as designed?  Are these controls both effective and efficient in accomplishing their purpose?
<b>Communication</b> .....	Does the unit receive the timely, accurate and useful information needed to achieve its objectives?  Are communication lines sufficient to meet our needs, both as senders and receivers of information in organization?
<b>Monitoring</b> .....	Is monitoring within the unit effective in ensuring that daily operations comply with the system of internal control?  Is the unit effectively monitoring objectives accomplishment, the control environment, and the communication process?  Does monitoring adequately identify changes in the internal or external environment that affect risks and opportunities?



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By examining the answers to these and related questions, management will be able to determine the effectiveness of the organization's system of internal control, and identify and correct any weaknesses within the system. Management should ensure that the system of internal control is effective before assessing accomplishment of the mission.

### **Assessing Accomplishment of the Mission**

Management should assess accomplishment of the mission at all levels of the state agency on a regular basis. At production or operational levels, management should compare the actual accomplishments of specific subunits to their operation plans and objectives. Management should compare the actual accomplishments of the major divisions to the strategic plans and agency objectives. Management should do these assessments following the evaluation of the system of internal control. If the system is working effectively, management will have reasonable assurance of the accuracy of the information it is using to determine the agency's accomplishments. Any deficiencies identified as a result of the assessment, along with their cause and remedy, should be followed-up and resolved.

### **Assessing Risk and Opportunities**

Management should also conduct assessments to determine how effectively the state agency identifies and responds to new risks and opportunities. These assessments should help management determine whether:

- The monitoring and evaluation processes identify new risks that might threaten the agency and new opportunities that might enable the agency to improve and grow,
- New risks and opportunities are being communicated to those responsible for making responsive changes, and
- Those responsible for taking action make appropriate changes and responses in a timely manner.

To complete the process that allows an agency to improve and grow, executive management should also conduct an agency overview assessment. This assessment should view the agency as a whole and should help executive management:

- Determine whether newly identified opportunities should result in changes in the agency's direction, including its mission, strategic plans and/or its organizational objectives, and
- Challenge the assumptions used to develop the mission, strategic plans and organizational objectives.

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Information from these assessments will help management evaluate whether the agency is effectively protecting itself from external and internal threats, whether it can continue to improve and grow and whether it is accomplishing what it should be accomplishing.

### **Assessment Documentation**

Management should ensure that it performs all aspects of its self-assessment according to plans that clearly define: responsibilities; evaluation methodologies, including the sources and types of information needed for accurate assessments; reporting requirements; and the method for ensuring any deficiencies identified are promptly corrected.

### **Communicating and Using Evaluation Results**

Management should communicate all assessment results, both good and bad. Positive results should be communicated to all who performed or were responsible for the activities being evaluated. Management should do this both to reinforce good business practices and to foster good morale. When results indicate a need for improvement, management should give the information to those who are responsible for making the necessary changes that will lead to improvements.

For the evaluation process to be effective, management should have processes in place that ensure appropriate and prompt actions are taken to address any deficiencies identified through self-assessment. In addition, management should include a review of such actions in a subsequent evaluation process to determine whether they have produced the desired outcomes.

Finally, when the results of these assessments indicate that there should be major changes within the state agency, management should have processes in place to ensure these results are considered when changing or establishing new plans and organizational objectives. This will help ensure the improvement and growth of the entire agency.

### **Strategic Plans**

Planning should begin at the top levels of management with a strategic plan that focuses on long-range direction of the state agency. Based on the direction provided by the agency's strategic plan, management should develop a strategic plan for each major division with a long-range focus specific to that division. The divisional strategic plans guide managers in developing shorter-range operational plans for each of the major functions performed within their respective divisions. Steps performed to prepare a strategic plan as required by [Code of Virginia § 2.2-5511](#) should facilitate the strategic planning necessary for an ARM program. The Department of Planning and Budget provides information and guidelines for effective strategic planning, available from [www.dpb.virginia.gov/sp/index.htm](http://www.dpb.virginia.gov/sp/index.htm).



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### **Objectives**

Objectives are the state agency's desired outcomes. All objectives, organizational or operational, should be in writing and provided to employees along with the mission statement. Management should ensure that employees understand the objectives and how their work helps to achieve them. Since changes in the environment can affect the adequacy and relevancy of an agency's objectives, management should periodically reassess its organizational and operational objectives.

### **Goals**

Goals are objectives translated into specific, measurable targets. They are quantifiable and provide a means for assessing the accomplishment of objectives. Management should translate all objectives into attainable goals. Progress toward these goals can measure accomplishment of an objective. However, sometimes it is difficult to translate an objective into a quantifiable goal. In such instances, management should identify some appropriate indirect measure. For example, a reduction in calls to a tax department's customer help line may indicate that new instructions make it easier for taxpayers to complete forms.

### **Operational Plans**

Managers at all levels should be able to use operational plans to determine the priority and timing of objectives, to resolve conflicts between objectives, to establish the state agency's policies and procedures and to help set budgets, schedules and resource assignments. The plans should be provided to and understood by everyone who must follow them. Management should also establish a process that identifies how and when plans should be changed to reflect both changing conditions and the availability of more accurate information. Plans should be flexible enough to allow such changes.

### **Assessable Units**

To perform an orderly, systematic evaluation of a state agency's system of internal control, management should segment the agency into "assessable units." Assessable units are usually segments of functional units found on an organization chart. For example, a bureau may have five or more assessable units in it, with each one performing a distinct function.

An assessable unit has certain primary characteristics. It has an ongoing, identifiable purpose that results in the creation of a service or product (used either internally or externally) or that fulfills a law, regulation or other mandate. An assessable unit should be large enough to allow managers to evaluate a significant portion of the activity being examined, but not so large that managers cannot perform a meaningful evaluation without extensive time and effort. Management should maintain a listing of the assessable units along with the purpose and objectives of assessable unit, and use it when planning any review of the system of internal control.



## **FACILITATED SELF-ASSESSMENT**

Facilitated Self-Assessment (FSA) uses the principles of Control Self-Assessment as well as strong teaming and facilitation skills to enable the internal auditor to assist management in the self-assessment process. FSA is an enhanced form of CSA that includes:

- A thorough understanding of these *Standards*.
- The use of a control framework such as these *Standards* for evaluation.
- An explicit use of risk assessment in the evaluation.
- Best practices gained from implementation efforts of others
- Teamwork, change management and facilitation skills.
- An understanding of both “low-tech” and “high-tech” supports for CSA.

FSA principles can be applied to all six forms of CSA. FSA improves the results of CSA by improving the process of creating the self-assessment.

## **CONTROL SELF-ASSESSMENT (CSAS) AS EVALUATION TOOLS**

There are six CSA methods in use. Methods range from the most mechanical (least human contact possible) self-administered audit by Internal Control Questionnaire (ICQ) to the most behavioral (most human contact) group workshops. Those six methods are:

- ICQ Self Audit
- Customized Questionnaires
- Control Guides
- Interview Techniques
- Control Model Workshops
- Interactive Workshops

### **ICQ Self Audit**

External auditors commonly use Internal Control Questionnaires (ICQ) to record their understanding of internal control. The ICQ is a series of questions used as a checklist of expected controls. Explanations for answers, especially “no” answers, are often required. Some audit organizations now ask management to fill out the ICQ as a form of self-audit. FSA techniques can be used to improve the CSA approach.



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### **Customized Questionnaires**

Customized Questionnaires are a step up from ICQs because the questions may be customized to comply with regulations or laws. Another type of customized questionnaire is one that asks the departments to fill out a detailed questionnaire listing their primary internal controls and how the controls are monitored. A third form is the internal control sign-off, a binder of questions about various control activities that contains: (1) a description of the control activity (2) a schedule when that activity must be performed – daily, weekly, monthly, quarterly, etc., and (3) a space for sign-off by the “internal control officer” or manager and the date signed and activities performed. Binders of this type are usually found in highly regimented control environments such as prisons and pharmaceutical processing.

### **Control Guides**

Control guides are binders with a description of the expected set of internal controls for the operations covered. Auditors or controllers issue these guides to cover internal financial controls in operations. In the CSA function, they become internal control workbooks.

As an example organization of a workbook, the workbook starts by identifying financial control areas typical to the state agency. The workbook provides a list of risks related to each of the financial control areas. For each risk identified, the audit staff provides a series of questions to help managers and staff members assess how well each specific risk is controlled.

### **Interview Techniques**

The workbook just discussed is used to open dialogue about operations, risks, and controls. For internal auditors planning their annual audit cycle, this dialogue can lead to interviewing senior management about issues, plans, and concerns. Managers themselves can adapt this technique from auditors to perform self-assessments.

Another technique calls for administering an interview tool to senior managers, supplemented by an all-employee survey on ethical issues. Unlike the ICQ or Control Guides, the interview techniques approach to CSA allows for some interaction between information provider and information gatherer. This brings the two closer together in partnership rather than just a process of filling out forms and mailing them back.

### **Control Model Workshops**

Control Model Workshops (also known as Control Design Workshops) are training seminars that focus mostly on raising the knowledge and capability of management and staff to deal with assessing, managing, and reporting on internal control through control design models. The central premise of these workshops is that the facilitator needs to transfer knowledge to the work group in order for the work group to complete the task of assessing controls and risks. This approach tries to build up knowledge of assessment and design of internal control systems and the assessment of risk. Control model workshops focus their effort on training and control

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design. As an example, a control model workshop may consist of six half-day workshops. The first two are training workshops about the methods and process of CSA. The remaining four workshop types deal with objectives, risks and controls.

### Interactive Workshops

Interactive workshops are process consultation workshops that focus mostly on drawing out evaluations from management and staff about the state of internal controls. The central premise of interactive workshops is that management owns the issue of internal control, and management continues to own the problem throughout the workshop. The facilitator draws out the information during the workshop. First-line employees participate in these workshops. The facilitator guides them through an assessment of control strengths and weaknesses, and they develop action plans for improvement.

There are some basic requirements for an effective CSA workshop. The facilitator(s) must prepare extensively for the workshop. This includes obtaining and clarifying the objectives of the area under review, familiarizing themselves with operations, and deciding who will participate in the workshop. Participants need to understand the purpose of the workshop, the process they will follow, and what is expected of them. They also need to feel comfortable enough to speak openly about sensitive issues. Specific techniques must be tailored to each agency's unique culture. However, almost all practitioners guide the work team through the risk assessment thought process. They start with a business objective, identify the risks to achieving that objective, and then evaluate the controls (hard and soft) in place to manage the risks. Finally, they develop action plans to improve controls.

#### Differences between CSA Interactive Workshops and CSA Control Model Workshops

- Facilitation skills, especially in process consulting, are more necessary in the Interactive Workshops.
- Interactive Workshops are not as long because they do not emphasize the element of instruction or training.
- Anonymous voting tools are favored by the users of Interactive Workshops, but not by Control Model Workshop users.

Both workshops use control best-practice frameworks to ensure completeness of coverage. The CSA control model workshops were devised as a substitute for traditional internal audits. CSA interactive workshops are viewed more as another tool available to the internal auditing department to serve management and the organization. CSA Interactive Workshops are seen as a supplement to traditional auditing. Management can adapt these concepts from auditors when performing self-assessments.

This checklist is a sample checklist for evaluating the components of the ARM program. Keep in mind that an important part of the evaluation process is to perform tests to determine whether



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the processes and related policies and procedures represented to have been established are both appropriate to address the agency's risks and are being followed.

Note that Component 6, Control Activities, is geared specifically towards sections of the CAPP Manual. As with any sample checklist, this checklist must be modified to satisfy the needs of a specific agency. Generally, checklists should be completed at the agency-wide and the division levels. The checklist should be modified to suit the particular agency and level at which the evaluation is being performed.

### Exhibit 42: CSA Workshop – General Instructions

Exhibit 42: CSA Workshop – General Instructions
A. Components 1 through 5, 7 and 8 all use a rating scale for evaluating. The following correlations apply to evaluations: 4 = Strongly Agree; 3 = Somewhat Agree; 2 = Don't Know; 1 = Somewhat Disagree; 0 = Strongly Disagree.
B. For Component 6, Control Activities, the response will be either a "Yes" meaning the control activity exists or "No" meaning the control activity does not exist. Section 6 also has an additional column to identify the type of objective(s) the control has been established to meet. "O" = Operation; "F" = Financial; and "C" = Compliance. A single control activity may exist to meet more than one type of objective.
C. The "Explanation and Comments" column should be used to provide additional clarifying information. The types of information that should be provided include specific procedures performed, position performing procedures, agency policy governing, mitigating factors if a control does not exist, etc. A single explanation and comment may apply to more than one control procedure.
D. The "Conclusions Reached and Actions Needed" block at the end of each section or at the end of related sections provides space to document a conclusion of the effectiveness of related controls and management's proposed actions (i.e., corrective actions) to address identified control weaknesses. If there is only one section in a component, this space is omitted. The component summary space discussed below suffices in this situation.
E. At the end of each ARM component, space is provided for "Component Summary – Conclusions and Actions Needed."



## **COMPONENT 1: INTERNAL ENVIRONMENT**

### **Risk Management Philosophy**

An agency's risk management philosophy is the set of shared beliefs and attitudes characterizing how the agency considers risk in everything it does, from strategy development and implementation to its day-to-day activities. Its risk management philosophy reflects the agency's values, influencing its culture and operating style, and affects how ARM components are applied, including how risks are identified, the kinds of risks accepted, and how they are managed. An informally managed agency may control operations largely by face-to-face contact with key managers. A more formally managed one may rely more on written policies, performance indicators, and exception reports.

## **NUMERIC SCORING FOR SURVEYS OF SUBJECTIVE OPINIONS**

Some of the following exhibits ask survey respondents to quantify how strongly they agree or disagree that specific controls are implemented and operating effectively; those exhibits are 43, 44, 45, 47, 48, 49, 50, 51, 52, 53, 54, 55, 56, 145, 146, 147, and 148. For those exhibits, suggested descriptions for each score are:

<u>Score</u>		<u>Description</u>
5	=	Strongly agree
4	=	Somewhat agree
3	=	Agree
2	=	Somewhat disagree
1	=	Strongly disagree
NA	=	Control does exist or cannot exist due to agency circumstances

The score assigned may be subjective and based solely on the respondent's feelings about the control in question. Some managers might want to develop a more systematic means of defining what each score means. For example, some might want to choose scores based on the perceived reliability level of each control. Exhibit 43 assigns a "control reliability level" based on five factors:

1. Supporting documentation for the control's design and its operation.
2. Employee awareness and understanding of the control.
3. Perceived value of the control to employees.
4. The extent to which the control procedure is formal and standardized.
5. The extent to which the control is monitored.



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**Exhibit 43: Summary of Internal Control Reliability Model**

<b>Exhibit 43: Summary of Internal Control Reliability Model*</b>					
<b>Control Reliability Level</b>	<b>Characteristics of This Control Reliability Level</b>				
	<b>Documentation</b>	<b>Awareness and Understanding</b>	<b>Perceived Value to Employees</b>	<b>Control Procedures</b>	<b>Monitoring</b>
Initial	Very limited	Basic awareness by management	Unformed	Ad hoc, unlinked	No monitoring
Informal	Sporadic, inconsistent	Understanding not communicated beyond management	Controls are separate from business operations	Intuitive, repeatable	No monitoring
Systematic	Comprehensive and consistent	Formal communication and some training	Controls integral to operations	Formal, standardized	No monitoring
Integrated	Comprehensive and consistent	Comprehensive training on control-related matters	Control processes considered part of strategy	Formal, standardized	Periodic monitoring begins
Optimized	Comprehensive and consistent	Comprehensive training on control-related matters	Commitment to continuous improvement	Formal, standardized	Real-time monitoring

\* Adapted from *How to Comply with Sarbanes-Oxley Section 404: Assessing the Effectiveness of Internal Control*, by Michael Ramos, John Wiley & Sons, 2004.

After assessing each control’s reliability level, the respondent would then “translate” that reliability level into a score, as shown in Exhibit 44.

**Exhibit 44: Translating “Reliability Level” into a Score for Each Control**

<b>Exhibit 44: Translating “Reliability Level” into a Score for Each Control</b>	
In our agency, this control condition’s reliability is..... “Optimized”.....	so I <b>strongly agree</b> , giving a score of..... “5”
In our agency, this control condition’s reliability is..... “Integrated”.....	so I <b>agree</b> , giving a score of..... “4”
In our agency, this control condition’s reliability is..... “Systematic”.....	so I <b>somewhat agree</b> , giving a score of..... “3”
In our agency, this control condition’s reliability is..... “Informal”.....	so I <b>somewhat disagree</b> , giving a score of.. “2”
In our agency, this control condition’s reliability is..... “Initial”.....	so I <b>strongly disagree</b> , giving a score of..... “1”
In our agency, this control does not or cannot exist.....	giving a score of..... “NA”

This scoring method is not mandatory and appears here for management consideration. Management may devise alternate methods and modify the exhibits accordingly. Whichever scoring or other answering scheme is used, management should take care to ensure that instructions are clear so that respondents provide the meaningful feedback.



**Exhibit 45: Survey on Risk Management Philosophy**

<b>Exhibit 45: Survey on Risk Management Philosophy</b>		
<b>This Control Implemented and Operating Effectively</b>	<b>Agree/Disagree</b>	<b>Comments</b>
1. Senior management's commitment to sound internal controls and their expectations regarding internal control responsibilities are adequately communicated throughout the agency.	5 4 3 2 1 0 NA	
2. The agency effectively encourages employees to proactively communicate control breakdowns or overrides and potential code violations.	5 4 3 2 1 0 NA	
3. The agency's managers and supervisors deliver the "tone at the top" via deeds and words.	5 4 3 2 1 0 NA	
4. The agency's responses to potential and actual violations of internal controls are performed timely, consistently, and appropriately.	5 4 3 2 1 0 NA	
5. Management accepts the appropriate amount of risk.	5 4 3 2 1 0 NA	
6. Management adequately balances major risks with appropriate controls (e.g., staff skills, policies and procedures).	5 4 3 2 1 0 NA	
7. Key personnel have not resigned unexpectedly or on short notice, and employee turnover is not excessive.	5 4 3 2 1 0 NA	
8. Employees in your division feel they are adding value within the agency's overall strategy.	5 4 3 2 1 0 NA	
9. Management meetings are held periodically within your division and are frequently attended by senior management.	5 4 3 2 1 0 NA	
10. Senior management has sufficient interaction with operating management throughout the organization.	5 4 3 2 1 0 NA	



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<b>Exhibit 45: Survey on Risk Management Philosophy</b>		
<b>This Control Implemented and Operating Effectively</b>	<b>Agree/Disagree</b>	<b>Comments</b>
11. Objectives established by senior management are realistic and achievable.	5 4 3 2 1 0 NA	
12. Management views accounting treatment for transactions or activities in a balanced manner, neither too aggressive nor too conservative.	5 4 3 2 1 0 NA	
13. Management views accounting function as an important element in the overall system of internal control rather than an obstacle to be avoided or overcome.	5 4 3 2 1 0 NA	
14. Management demonstrates support and professional respect for the accounting function, data processing, and control/compliance personnel.	5 4 3 2 1 0 NA	
15. Management routinely assesses various risks to achieving objectives.	5 4 3 2 1 0 NA	
16. Management appropriately balances the focus on short-term reported results with long-term objectives and does not exert inappropriate pressure to achieve objectives.	5 4 3 2 1 0 NA	
17. Estimates required for your division's activities are based on sound models, verifiable data, and fair assumptions.	5 4 3 2 1 0 NA	
<b>Conclusions Reached and Actions Needed:</b>		

### Risk Appetite

**“Risk Appetite” is the amount of overall risk an agency is willing to accept in pursuit of operational objectives. It reflects the agency’s risk management philosophy, and in turn influences the agency’s culture and operating style.**

Risk appetite is the amount of risk, on a broad level, that an agency is willing to accept in pursuit of its programmatic objectives. It reflects the agency’s risk management philosophy, and in turn

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influences the agency’s culture and operating style, in programs that provide direct services to others, including citizens, regulators, clients, elected officials, and other agencies.

State agencies may consider risk appetite qualitatively, with such categories as high, moderate, or low. Or they may consider risk appetite quantitatively by reflecting and balancing goals for growth and return with risk.

As chief executives of government agencies, agency heads are not authorized to take risks that would knowingly jeopardize their ability to meet obligations for financial management and reporting or compliance with laws, regulations, policies, and procedures. Financial reporting and compliance objectives serve needs of both the agency and of the Commonwealth as a whole, and are “not negotiable” when choosing strategies or tactics for achieving program objectives.

## Exhibit 46: Risk Appetite Questionnaire

Exhibit 46: Risk Appetite Questionnaire		
This Control Implemented and Operating Effectively	Agree/Disagree	Comments
1. Major policies clearly communicate the agency’s risk appetites and provide an appropriate level of control.	5 4 3 2 1 0 NA	
2. Risk appetite is balanced, neither too aggressive nor too conservative compared to other agencies.	5 4 3 2 1 0 NA	
3. Risk appetite in some areas or activities is greater than in others.	5 4 3 2 1 0 NA	
4. The agency’s control environment compliments its risk appetite.	5 4 3 2 1 0 NA	
<b>Conclusions Reached and Actions Needed:</b>		

## Oversight by Cabinet Secretary, Board, and Audit Committee

An agency’s cabinet secretary, board of directors, or audit committee (as applicable) serves as a critical part of the internal environment and significantly influences its elements. Such parties should possess an appropriate degree of management, technical, and other expertise, coupled with the mind-set necessary to perform oversight responsibilities. These officials must be prepared to question and scrutinize the agency’s management activities, present alternate views, and act in the face of inadequate performance or wrongdoing.



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**Exhibit 47: Agency Oversight Questionnaire**

<b>Exhibit 47: Agency Oversight Questionnaire</b>		
<b>This Control Implemented and Operating Effectively</b>	<b>Agree/Disagree</b>	<b>Comments</b>
1. The cabinet secretary, board, and audit committee (as applicable) constructively challenges management's planned decisions, (e.g., strategic initiatives and major transactions) and probes for explanations of past results.	5 4 3 2 1 0  NA	
2. The cabinet secretary, board, and audit committee (as applicable) has sufficient knowledge and agency mission-related experience.	5 4 3 2 1 0  NA	
3. The audit committee meets privately with the internal and external auditors to discuss the reasonableness of the financial reporting process, system of internal control, significant comments and recommendations, and management's performance.	5 4 3 2 1 0  NA	
4. The audit committee reviews the scope of activities of the internal and external auditors.	5 4 3 2 1 0  NA	
5. The agency has a process for informing the board/cabinet secretary of significant issues and communicates information timely.	5 4 3 2 1 0  NA	
6. The cabinet secretary, board, and audit committee (as applicable) are involved sufficiently in evaluating the effectiveness of the "tone at the top" and takes steps to ensure the appropriate "tone".	5 4 3 2 1 NA	
7. Board meetings are well run and productive.	5 4 3 2 1 0  NA	
8. Regular reports to the cabinet secretary, board, and audit committee (as applicable) provide sufficient information in a user-friendly format for members to monitor key operations.	5 4 3 2 1 0  NA	



<b>Exhibit 47: Agency Oversight Questionnaire</b>		
<b>This Control Implemented and Operating Effectively</b>	<b>Agree/Disagree</b>	<b>Comments</b>
9. The board receives sufficient information before meetings that they can come prepared to discuss relevant issues.	5 4 3 2 1 0 NA	
10. The board members do their homework (i.e., read the material sent to them and come to meetings prepared).	5 4 3 2 1 0 NA	
11. The appropriate party (board, audit committee, or cabinet secretary) asks challenging, probing questions of management and are not satisfied until they receive complete answers.	5 4 3 2 1 0 NA	
12. The cabinet secretary, board, and audit committee (as applicable) receives sufficient and timely information about sensitive issues.	5 4 3 2 1 0 NA	
<b>Conclusions Reached and Actions Needed:</b>		

## **Codes of Ethics**

[Code of Virginia § 2.2-3100](#) et seq. provide uniform standards related to conflicts of interest for all state and local government officers and employees. This section of the Code is known as *The State and Local Government Conflict of Interests Act*.

In addition to Code requirements, each state agency should have its own code of ethics. This code should encourage employees to comply with The State and Local Government Conflict of Interests Act and the following additional policies.

### ***Recommended Ethics Policies***

The agency head and senior financial personnel are responsible for full, fair, accurate, timely, and understandable disclosure in required periodic reports to the Department of Accounts, federal grantor agencies, and others. Accordingly, agency heads and finance personnel must promptly notify DOA of any material information affecting Virginia’s Comprehensive Annual Financial Report (CAFR).



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All employees are responsible for complying with applicable laws and regulations. The agency head and senior managers should foster an environment in which everyone knows about applicable rules and regulations, the need to comply, and controls in place to ensure compliance.

The agency head and senior managers should issue a comprehensive code of ethics for all employees, officers, and directors. Once developed, the code of ethics should be accessible by current employees and given to all new employees during orientation. Periodically, the code should be reviewed, updated, and reissued. Agencies should consider holding formal meetings and providing other channels for employees to pose questions and voice concerns.

### ***Guidelines***

In developing a code of ethics, the contents of Exhibit 48 (next page) should be considered for inclusion. An agency's code of ethics must be customized to its needs and environment. (See Appendix A, Exhibit 4 (*Code of Conduct Structure*) for additional suggestions.)



## **Exhibit 48: Sample Code of Ethics**

### **Exhibit 48: Sample Code of Ethics**

#### **All Employees, Officers, and Directors of (Agency) Shall:**

- Comply with all applicable laws and regulations.
- Ensure their personal integrity by avoiding discrimination by dispensing special favors or privileges to anyone, whether for remuneration or not. One should never accept favors or benefits (for self, family, or friends) that reasonable persons might be construe as influencing the performance of governmental duties.
- Not receive or give money, property, service, information, or anything of value with the intent or understanding that any part is (1) for an unlawful purpose or (2) for any purpose other than as described in the transaction's supporting documents.
- Shall not use agency property, services, information, or position for personal gain.
- Comply with accepted accounting rules and controls at all times.
- Not make any false or misleading entries in the agency's records for any reason whatsoever. No fund or asset which is not fully and properly recorded and no accounting entries or books of account which do not truly reflect the transactions to which they relate shall be created or permitted to exist.
- Adopt policies and programs in accordance with the Commonwealth's EEO policy, supporting the rights and recognizing the needs of all citizens regardless of race, sex, age, religion, creed, country of origin, or handicap condition.
- Protect the agency's assets and resources and ensure their efficient use. Prevent theft, carelessness, and waste. Use agency assets only for legitimate business purposes.
- Maintain the confidentiality of information entrusted to them by the agency or its customers, except when disclosure is authorized or legally mandated. Confidential information includes all non-public information for which disclosure might harm the agency or its clients.
- Deal fairly with the agency's clients, customers, suppliers, competitors, and employees. Avoid any unfair advantage through manipulation, concealment, abuse of privileged information, misrepresentation of material facts, or any other unfair practice.
- Not use agency money, property, services, or things of value for or in aid of political parties or candidates for public office.
- Avoid even the appearance of a conflict of interest. Engage in no business with State government (either directly or indirectly) that is inconsistent with the **State and Local Government Conflict of Interest Act** or the **Public Procurement Act**. Board members should recuse themselves from deliberating or voting on issues that might be interpreted as questionable or borderline conflicts of interest, and which might be perceived as providing direct or indirect personal gain for themselves or their families.
- Make no private promises of any kind binding upon the duties of any office.
- Expose through appropriate means and channels any corruption, misconduct, or neglect of duty, when discovered.
- Adhere to the principle that the public's business should be conducted in the public view by observing and following the letter and the spirit of the Virginia Freedom of Information Act.
- Recognize that interaction with the media is a vital link in maintaining good communication with the public. Agency spokesperson and Board member comments to the media should be courteous and statesmanlike, and should maintain the propriety of the agency when speaking to public issues, or to opinions of colleagues and citizens.
- Make sure, when responding to the media, that a clear distinction is made between personal opinion or belief and a decision made by a Board, other public official, or agency.
- Honor and uphold these principles, ever conscious that public service and public office is a public trust.
- Seek to find and use the most equitable, efficient, effective, and economical means for accomplishing tasks.

### ***Integrity and Ethical Values***

An agency's strategy and objectives and the way they are implemented are based on preferences, value judgments, and management styles. Management's integrity and commitment to ethical values influences these preferences and judgments, which are translated into standards of



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behavior. Because an agency’s good reputation is so valuable, the standards of behavior must extend beyond mere compliance with law and regulation.

### Exhibit 49: Ethics Questionnaire

<b>Exhibit 49: Ethics Questionnaire</b>		
<b>This Control Implemented and Operating Effectively</b>	<b>Agree/Disagree</b>	<b>Comments</b>
1. The agency’s Code of Ethics and other policies regarding acceptable business practice, conflicts of interest, and expected standards of ethical and moral behavior are comprehensive and relevant and address matters of significance.	5 4 3 2 1 0 NA	
2. Employees fully and clearly understand what behavior is acceptable and unacceptable under the agency’s Code of Ethics and know what to do when they encounter improper behavior.	5 4 3 2 1 0 NA	
3. Management frequently and clearly communicates the importance of integrity and ethical behavior during staff meetings, one-on-one discussions, training and periodic written statements of compliance from key employees.	5 4 3 2 1 0 NA	
4. Management demonstrates a commitment to integrity and ethical behavior by example in their day-to-day activities.	5 4 3 2 1 0 NA	
5. Employees are generally inclined to do the “right thing” when faced with pressures to cut corners with regard to policies and procedures.	5 4 3 2 1 0 NA	
6. Management addresses and resolves violations of behavioral and ethical standards consistently, timely, and equitably in accordance with the provisions of the agency’s Code of Ethics.	5 4 3 2 1 0 NA	
7. The existence of the agency’s Code of Ethics and the consequences of its breach are an effective deterrent to unethical behavior.	5 4 3 2 1 0 NA	
8. Management strictly prohibits circumvention of established policies and procedures, except where specific guidance has been provided, and demonstrates commitment to this principle.	5 4 3 2 1 0 NA	
9. Performance targets are reasonable and realistic and do not create undue pressure on achievement of short-term results.	5 4 3 2 1 0 NA	
10. Ethics are woven into criteria used to evaluate individual or division’s performance.	5 4 3 2 1 0 NA	



<b>Exhibit 49: Ethics Questionnaire</b>		
<b>This Control Implemented and Operating Effectively</b>	<b>Agree/Disagree</b>	<b>Comments</b>
11. Management reacts appropriately when receiving bad news from subordinates and divisions.	5 4 3 2 1 0 NA	
<b>Conclusions Reached and Actions Needed:</b>		

### **Commitment to Competence**

Competence reflects the knowledge and skills needed to perform assigned tasks. Management decides how well these tasks need to be accomplished, weighing the agency’s strategy and objectives against plans for their implementation and achievement.

### **Exhibit 50: Management’s Commitment to Competence**

<b>Exhibit 50: Management’s Commitment to Professional and Technical Competence</b>		
<b>This Control Implemented and Operating Effectively</b>	<b>Agree/Disagree</b>	<b>Comments</b>
1. Management has adequately defined the knowledge and skills needed to perform jobs within your division.	5 4 3 2 1 0 NA	
2. Job descriptions (and other documents that define key position duties/requirements) are current, accurate, and understood.	5 4 3 2 1 0 NA	
3. There is a mechanism in place to keep the job descriptions current, accurate, and understood.	5 4 3 2 1 0 NA	
4. Job knowledge/skill requirements realistically match the organization and position’s needs.	5 4 3 2 1 0 NA	
5. Management has the specialized knowledge, experience, and training required to perform their duties and does not rely extensively on technical specialists or outside consultants.	5 4 3 2 1 0 NA	
6. Employees are properly trained and are capable of performing all jobs within your division.	5 4 3 2 1 0 NA	



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<b>Exhibit 50: Management's Commitment to Professional and Technical Competence</b>		
<b>This Control Implemented and Operating Effectively</b>	<b>Agree/Disagree</b>	<b>Comments</b>
7. Employees are committed to excellence in performing their jobs.	5 4 3 2 1 0 NA	
8. Individual performance targets focus on both the long- and short-term and address a broad spectrum of criteria (e.g., quality, productivity, leadership, teamwork, and self-development).	5 4 3 2 1 0 NA	
<b>Conclusions Reached and Actions Needed:</b>		

### Organizational Structure

An agency's organizational structure provides the framework to plan, execute, control, and monitor its activities. A relevant organizational structure includes defining key areas of authority and responsibility and establishing appropriate lines of reporting.

### Exhibit 51: Organizational Structure

<b>Exhibit 51: Organizational Structure</b>		
<b>This Control Implemented and Operating Effectively</b>	<b>Agree/Disagree</b>	<b>Comments</b>
1. The agency's organizational structure is appropriate to carry out its mission and manage its activities.	5 4 3 2 1 0 NA	
2. Management treats your division as an integral part of the agency's overall operations.	5 4 3 2 1 0 NA	
3. The current organizational structure facilitates the flow of information both up and down within your division and across to other divisions/functions.	5 4 3 2 1 0 NA	
4. Reporting relationships provide managers with the information appropriate to their responsibility and authority.	5 4 3 2 1 0 NA	
5. Managers and process owners in your division have ready access to senior management in addressing significant issues.	5 4 3 2 1 0 NA	
6. The organizational structure in your division provides adequate supervisory and managerial oversight.	5 4 3 2 1 0 NA	



<b>Exhibit 51: Organizational Structure</b>		
<b>This Control Implemented and Operating Effectively</b>	<b>Agree/Disagree</b>	<b>Comments</b>
7. Management periodically evaluates the organizational structure relevant to your division in light of changes in the scope, nature, or extent of your operations.	5 4 3 2 1 0 NA	
8. The agency has the appropriate number of people and resources allocated to key functions/activities.	5 4 3 2 1 0 NA	
9. Employees do not work excessive overtime and do not fulfill the responsibilities of more than one employee.	5 4 3 2 1 0 NA	
<b>Conclusions Reached and Actions Needed:</b>		

### **Assignment of Authority and Responsibility**

Assignment of authority and responsibility involves the degree to which individuals and teams are authorized and encouraged to use initiative to address issues and solve problems, as well as limits to their authority. It includes establishing reporting relationships and authorization procedures, as well as policies that describe appropriate business practices, knowledge and experience of key personnel, and resources provided for carrying out duties.

### **Exhibit 52: Assignment of Authority and Responsibility**

<b>Exhibit 52: Assignment of Authority and Responsibility</b>		
<b>This Control Implemented and Operating Effectively</b>	<b>Agree/Disagree</b>	<b>Comments</b>
1. Management designates who is responsible for committing your division to financial or contractual obligations through a formal delegation of authority.	5 4 3 2 1 0 NA	
2. Specific limits are established for certain types of transactions and delegations are clearly communicated and understood by employees within your division.	5 4 3 2 1 0 NA	
3. Job descriptions for your division’s personnel include specific references to control related responsibilities.	5 4 3 2 1 0 NA	
4. Management accepts responsibility for information generated within your division and on reported results.	5 4 3 2 1 0 NA	



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<b>Exhibit 52: Assignment of Authority and Responsibility</b>		
This Control Implemented and Operating Effectively	Agree/Disagree	Comments
5. Managers in your division are appropriately empowered to correct problems and implement improvements.	5 4 3 2 1 0 NA	
6. The current level of delegation of duties balances empowerment and “getting the job done” with management involvement and authority levels.	5 4 3 2 1 0 NA	
<b>Conclusions Reached and Actions Needed:</b>		

### Standards for Managing Human Resources

Human resource practices pertaining to hiring, orientation, training, evaluating, counseling, promoting, compensating, and taking remedial actions send messages to employees regarding expected levels of integrity, ethical behavior, and competence. Training policies can reinforce expected levels of performance and behavior by communicating prospective roles and responsibilities. It is essential that employees be equipped to tackle new challenges as issues and risks through the agency change and become more complex—driven in part by rapidly changing technologies. Education and training (whether classroom instruction, self-study, or on-the-job training) must help personnel keep pace and deal effectively with the evolving environment.

### Exhibit 53: Human Resources Standards

<b>Exhibit 53: Human Resources Standards</b>		
This Control Implemented and Operating Effectively	Agree/Disagree	Comments
1. Existing personnel policies and procedures facilitate recruiting and developing competent and trustworthy personnel necessary to achieve the agency’s objectives.	5 4 3 2 1 0 NA	
2. Employees new to your division’s activities are made aware of their responsibilities and management’s expectations.	5 4 3 2 1 0 NA	
3. Supervisory personnel meet periodically with employees in your division to review job performance and discuss opportunities for improvement.	5 4 3 2 1 0 NA	
4. Performance appraisals adequately address internal control responsibilities and set forth criteria for integrity and ethical behavior.	5 4 3 2 1 0 NA	



<b>Exhibit 53: Human Resources Standards</b>		
<b>This Control Implemented and Operating Effectively</b>	<b>Agree/Disagree</b>	<b>Comments</b>
5. Management takes the appropriate remedial action for departures from approved policies and procedures.	5 4 3 2 1 0 NA	
<b>Conclusions Reached and Actions Needed:</b>		

<b>INTERNAL ENVIRONMENT COMPONENT SUMMARY – Conclusions Reached and Actions Needed:</b>
---

**COMPONENT 2: SETTING OBJECTIVES**

**Agency-wide Objectives**

Objective setting is a precondition to event identification, risk assessment, and risk response. There must first be objectives before management can identify and assess risk to their achievement and take necessary actions to manage risk.

An agency’s mission sets out in broad terms what the agency aspires to achieve. It is important that management explicitly establish the agency’s broad-based reason for being. From this, management sets strategic objectives (high-level goals, aligned with and supporting the agency’s mission), formulates strategy, and establishes related operations, compliance, and reporting objectives for the organization. While an agency’s mission and strategic objectives are generally stable, its strategy and many related objectives are more dynamic and adjusted for changing internal and external conditions. As they change, strategy and related objectives are realigned with strategic objectives.

**Exhibit 54: Agency-Wide Objectives**

<b>Exhibit 54: Agency-Wide Objectives</b>		
<b>This Control Implemented and Operating Effectively</b>	<b>Agree/Disagree</b>	<b>Comments</b>
1. Management has established and clearly communicated the agency’s mission, strategy and objectives to employees and board of directors, if applicable.	5 4 3 2 1 0 NA	
2. Agency-wide objectives are sufficiently broad without being overly general.	5 4 3 2 1 0 NA	



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<b>Exhibit 54: Agency-Wide Objectives</b>		
<b>This Control Implemented and Operating Effectively</b>	<b>Agree/Disagree</b>	<b>Comments</b>
3. Agency-wide objectives are adequately supported by strategies, business plans, and budgets.	5 4 3 2 1 0 NA	
4. Feedback mechanisms are in existence that enables management to periodically assess whether agency-wide objectives have been achieved.	5 4 3 2 1 0 NA	
5. Key performance indicators and measurement criteria for achieving agency-wide objectives have been communicated and are uniformly understood.	5 4 3 2 1 0 NA	
<b>Conclusions Reached and Actions Needed:</b>		

## Process-Level Objectives

Establishing the right objectives that support and are aligned with the strategic objectives, relative to all agency activities, is critical to success. By focusing first on strategic objectives and strategy, an agency is positioned to develop related objectives at an agency level, achievement of which will create and preserve value. Agency-level objectives are linked to and integrated with more specific objectives that cascade through the organization to sub-objectives established for various activities.

By setting objectives at the agency and activity levels, an agency can identify critical success factors. These are key things that must go right if goals are to be attained. Critical success factors exist for an agency, division, department, or an individual. By setting objectives, management can identify measurement criteria for performance, with a focus on critical success factors.

## Operations Objectives

**Operations objectives** pertain to the effectiveness and efficiency of the agency's operations, including performance goals and safeguarding resources against loss. They vary based on management's choices about structure and performance. Management must ensure that the objectives reflect reality and the demands of the stakeholders. A clear set of operations objectives, linked to sub-objectives, is fundamental to success. Operations objectives provide a focal point for directing allocated resources; if an agency's operations objectives are not clear or well conceived, its resources may be misdirected.



## Reporting Objectives

**Reporting objectives** concern the reliability of reporting. They include internal and external reporting and may involve financial and non-financial information. Reporting should support management’s decision-making and monitoring of the agency’s activities and performance for internal and external users.

## Compliance Objectives

**Compliance objectives** involve the adherence to relevant laws and regulations. They are dependant on external factors and tend to be similar across all entities in some cases and unique to similar entities in others.

## Exhibit 55: Performance-Level Objectives

Exhibit 55: Performance Level Objectives		
This Control Implemented and Operating Effectively	Agree/Disagree	Comments
1. Objectives have been established for your division’s processes and are clearly linked to and support agency-wide strategies and objectives. These objectives are clearly understood by employees responsible for achieving results.	5 4 3 2 1 0 NA	
2. Specific criteria have been established to measure whether objectives for your division’s processes have been achieved.	5 4 3 2 1 0 NA	
3. Resources are generally sufficient to achieve objectives for processes in your division and, if not, plans are in place to acquire needed resources.	5 4 3 2 1 0 NA	
4. Employees in your division participate in establishing objectives for processes and ultimately own business results for which they are responsible.	5 4 3 2 1 0 NA	
5. Objectives have been established that identify your division’s customers for the processes and the customers’ requirements for the products, outcomes, or outputs provided.	5 4 3 2 1 0 NA	
6. Objectives address timeliness, quality, and efficiency aspects of completing your division’s processes.	5 4 3 2 1 0 NA	
7. Objectives address the necessity for continuous improvement of the processes.	5 4 3 2 1 0 NA	



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<b>Exhibit 55: Performance Level Objectives</b>		
<b>This Control Implemented and Operating Effectively</b>	<b>Agree/Disagree</b>	<b>Comments</b>
<b>Conclusions Reached and Actions Needed:</b>		

<b>SETTING THE OBJECTIVES COMPONENT SUMMARY – Conclusions Reached and Actions Needed:</b>
---

## **COMPONENT 3: EVENT IDENTIFICATION**

An event is an incident or occurrence emanating from internal or external sources that affects implementation of strategy or achievement of objectives. Events may have positive or negative impact, or both.

In event identification, management recognizes that uncertainties exist, but does not know whether an event will occur, or when, or its precise impact should it occur. Management initially considers a range of potential events—stemming from both internal and external sources—without necessarily focusing on whether the impact is positive or negative. In this way, management identifies not only potential events with negative impact, but also those representing opportunities to be pursued.

Events range from the obvious to the obscure, and the effects from the inconsequential to the highly significant. To avoid overlooking relevant events, identification is best made apart from the assessment of the likelihood of the event occurring and its impact, which is the topic of Risk Assessment. Even events with a relatively low possibility of occurrence should not be ignored if the impact on achieving an important objective is great.

### **External Events**

**External events** include economic, natural disasters, political, social and technological. Economic events might include a recession where less tax revenue is collected and therefore less funding is available to the agency. Natural disasters such as floods or hurricanes can restrict the ability to operate or destroy infrastructure. Political events such as gubernatorial elections can result in change of agency heads and different laws and regulations. Social events could involve terrorist activities or changing family structures that result in human resource issues or a changing demand for services. Technological events might include changes in hardware or software due to obsolescence that causes a change in the way operations are performed.

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## Internal Events

**Internal events** occur because of choices management makes about how the agency will function. Internal events might include infrastructure, personnel, process, and technology. Infrastructure events could include budgetary changes to meet different agency demands. Personnel events could include employment termination or leave of absence of key knowledgeable employees or fraudulent activities. Process events could include process modification without adequate change management procedures, process execution errors, or customer dissatisfaction. Technology events include information system downtime, security breaches, and fraudulent transactions.

## Exhibit 56: Event Identification

<b>Exhibit 56: Event Identification</b>		
<b>This Control Implemented and Operating Effectively</b>	<b>Agree/Disagree</b>	<b>Comments</b>
1. Formal or informal mechanisms exist to timely identify events – past and future, external and internal– that could impact the implementation of agency-wide strategy or the achievement of agency-wide objectives.	5 4 3 2 1 0 NA	
2. Formal or informal mechanisms exist to timely identify events – past and future, external and internal – that could impact the achievement of division objectives.	5 4 3 2 1 0 NA	
3. Relevant and reliable internal and external information, once identified, is compiled, and communicated to applicable decision makers.	5 4 3 2 1 0 NA	
4. Management identifies situations where events relate to one another and considers their interdependencies.	5 4 3 2 1 0 NA	
5. Management distinguishes between events that are opportunities and events that are risks.	5 4 3 2 1 0 NA	
6. Events that are opportunities are channeled back to management’s strategy or objective-setting processes, so that actions can be formulated to seize the opportunities.	5 4 3 2 1 0 NA	
7. Events that are risks are assessed and risk responses developed.	5 4 3 2 1 0 NA	
<b>Event Identification Component Summary – Conclusions Reached and Actions Needed:</b>		

## COMPONENT 4: RISK ASSESSMENT

In risk assessment, management considers the mix of potential future events relevant to the agency and its activities in the context of matters that shape the agency’s risk profile, such as agency size, complexity of operations, and degree of regulation over its activities. Management



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should consider expected and unexpected events. Many events are routine and recurring, and are already addressed in management programs and operating budgets, while others are unexpected. Management must assess the risk of unexpected potential events and expected events that can have a significant impact on the agency. In the context of ARM, the risk assessment component is a continuous and repetitive interplay of actions that take place throughout the agency.

Management should assess events from two perspectives—likelihood and impact—and use a combination of qualitative and quantitative methods. The positive and negative impacts of potential events should be examined individually or by category, across the agency. Risks should be assessed on both an inherent and residual basis.

**Inherent Risk** is the risk to an agency in the absence of any actions management might take to alter either the risk’s likelihood or impact. Estimates of risk likelihood and impact often are determined using data from past observable events, which provide a more objective basis than entirely subjective estimates.

**Residual Risk** is the risk that remains after management’s response to the risk. Risk assessment is applied first to inherent risks. Once risk response has been developed, management then considers residual risk.

### Exhibit 57: Risk Assessment

<b>Exhibit 57: Risk Assessment</b>		
<b>This Control Implemented and Operating Effectively</b>	<b>Agree/Disagree</b>	<b>Comments</b>
1. Formal or informal mechanisms exist to inform management of events that are considered risks; i.e., events that may adversely affect the achievement of agency-wide or division objectives.	5 4 3 2 1 0 NA	
2. Management identifies correlations between events or events that combine and interact to create significantly different probabilities or impacts.	5 4 3 2 1 0 NA	
3. Management assesses for inherent risk, each event or combination of events that represents a risk, considering both likelihood and impact, and then develops a risk response.	5 4 3 2 1 0 NA	
4. Once a risk response is developed for each risk, management considers residual risk.	5 4 3 2 1 0 NA	
5. Management uses an appropriate blend of quantitative or qualitative techniques across the various divisions/functions such that sufficient consistency exists to assess risks agency-wide.	5 4 3 2 1 0 NA	
6. The process used to analyze risks in each division is clearly understood and includes estimating the significance or risks and assessing the likelihood of their occurring.	5 4 3 2 1 0 NA	



<b>Exhibit 57: Risk Assessment</b>		
<b>This Control Implemented and Operating Effectively</b>	<b>Agree/Disagree</b>	<b>Comments</b>
<b>Risk Assessment Component Summary – Conclusions Reached and Actions Needed:</b>		

**COMPONENT 5: RISK RESPONSE**

Risk responses include risk avoidance (exiting the activity), reduction, sharing (for example, via insurance), and acceptance (no action taken). In considering its response, management assesses the effect on risk likelihood and impact, as well as costs and benefits, selecting a response that brings residual risk within desire risk tolerances. Management identifies any opportunities that might be available, and takes an agency-wide, or portfolio, view of risk, determining whether overall residual risk is within the agency’s risk appetite.

**Exhibit 58: Risk Response**

<b>Exhibit 58: Risk Response</b>		
<b>This Control Implemented and Operating Effectively</b>	<b>Agree/Disagree</b>	<b>Comments</b>
1. The process used to analyze risks in your division is clearly understood and includes determining steps to mitigate risks.	5 4 3 2 1 0 NA	
2. In determining risk response, management considers the effects of potential responses on risk likelihood and impact because a response may affect the likelihood and impact differently.	5 4 3 2 1 0 NA	
3. Management considers the relative costs and benefits of alternative risk response options.	5 4 3 2 1 0 NA	
4. When considering cost-benefit relationships, management looks at risks as interrelated and pools the agency’s risk reduction and risk sharing responses.	5 4 3 2 1 0 NA	
5. The agency’s risk response considerations are not limited solely to reducing identified risks, but also include consideration of new opportunities.	5 4 3 2 1 0 NA	
6. Once management has selected a response, management determines whether an implementation plan is needed.	5 4 3 2 1 0 NA	
7. If an implementation plan is needed, management establishes the necessary control activities to ensure the risk response is carried out.	5 4 3 2 1 0 NA	



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<b>Exhibit 58: Risk Response</b>		
<b>This Control Implemented and Operating Effectively</b>	<b>Agree/Disagree</b>	<b>Comments</b>
8. The agency evaluates risk from an ARM/agency-wide/ portfolio perspective.	5 4 3 2 1 0 NA	

**COMPONENT 6: CONTROL ACTIVITIES**

Control activities occur throughout the organization, at all levels and in all functions. They include a range of activities—as diverse as approvals, authorizations, verifications, reconciliations, reviews of operating performance, security of assets, and segregation of duties. Control activities can be categorized based on the nature of the agency’s objectives to which they relate: strategic, operations, reporting, and compliance. They provide reasonable assurance that objectives are being achieved in the areas of effectiveness and efficiency of operations, reliability of financial reporting, and compliance with applicable laws and regulations.

In selecting control activities, management considers how control activities are related to one another. In some instances, a single control activity addresses multiple risk responses. In other instances, multiple control activities are needed for one risk response. In still others, management might find that existing control activities are sufficient to ensure that new risk responses are executed effectively.

**A single control activity may exist to meet more than one type of objective. In the following tables, the “O/F/C” column identifies objective type:**

**“O” = Operational**

**“F” = Financial**

**“C” = Compliance**

**Exhibit 59: Control Activities**

<b>Exhibit 59: Control Activities</b>			
<b>This Control Implemented and Operating Effectively</b>	<b>O/F/C</b>	<b>Yes/No</b>	<b>Comments</b>
1. Appropriate policies and procedures have been developed and implemented for each of division’s major processes.			
2. Appropriate and timely actions are taken on exceptions to each division’s policies and procedures.			
3. Policies and procedures identify how processes are to be performed and monitored and who is responsible for carrying them out.			



<b>Exhibit 59: Control Activities</b>			
<b>This Control Implemented and Operating Effectively</b>	<b>O/F/C</b>	<b>Yes/No</b>	<b>Comments</b>
4. Control activities described in policy and procedure manuals are actually applied the way they are intended to be applied and clearly relate to designated risks.			
5. Management clearly assigns responsibilities for training and monitoring of internal controls.			
6. Controls are in place to ensure that management decisions are properly carried out.			
7. Supervisory personnel with appropriate responsibilities, organizational experience, and knowledge of the organization's affairs periodically review and document the functioning and overall effectiveness of controls.			
8. Appropriate criteria are established to evaluate controls.			
9. Responsibilities in each division have been assigned in a manner that precludes any individual from processing data transactions in their entirety or from maintaining records for transactions in which the individual participated.			
10. Effective procedures have been established for the routine verification of the accuracy of data when it is entered, processed, generated, distributed, or transferred.			
11. Individuals from a division/ function have appropriately segregated responsibility for control over assets and data and the processing of transactions.			
12. Effective contingency plans have been developed and documented for each division to deal with service interruptions if they occur.			
13. Periodic tests of contingency and disaster recovery plans take place to make sure they are current, operational, and effective.			
14. Appropriate controls are built-in as new information systems are designed and integrated into the agency.			
<b>Conclusions Reached and Actions Needed:</b>			



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**Exhibit 60: Control Activities – Accounting Administration**

<b>Exhibit 60: Control Activities – Accounting Administration</b>			
<b>This Control Implemented and Operating Effectively</b>	<b>O/F/C</b>	<b>Yes/No</b>	<b>Comments</b>
1. The agency has adequately detailed accounting policies and procedures.			
2. Accounting policies and procedures manuals are updated timely.			
3. Manuals are distributed or made available to appropriate personnel.			
4. The principal accounting officer of the agency has adequate authority over accounting employees and principal accounting records at all locations.			
<b>Accounting Administration – Conclusions Reached and Actions Needed:</b>			

**Exhibit 61: Control Activities – General Ledger**

<b>Exhibit 61: Control Activities – General Ledger</b>			
<b>This Control Implemented and Operating Effectively</b>	<b>O/F/C</b>	<b>Yes/No</b>	<b>Comments</b>
1. Access to the general ledger and related records is restricted to those who are assigned general ledger responsibilities.			
2. The responsibilities for maintaining the general ledger and custody of assets are segregated.			
<b>General Ledger – Conclusions Reached and Actions Needed:</b>			

**Exhibit 62: CAPP 20105 – Appropriations – Appropriations, Allotments, & Transfers**

<b>Exhibit 62: Appropriations, Allotments, and Transfers</b>			
<b>This Control Implemented and Operating Effectively</b>	<b>O/F/C</b>	<b>Yes/No</b>	<b>Comments</b>
1. The agency does not expend funds against any appropriation until they have received an allotment of funds from the appropriations.			



**Exhibit 63: CAPP 20110 – Appropriations – Operating Expenditure Plan**

<b>Exhibit 63: Operating Expenditure Plan</b>			
<b>This Control Implemented and Operating Effectively</b>	<b>O/F/C</b>	<b>Yes/No</b>	<b>Comments</b>
1. The agency has implemented procedures to ensure that the total of the agency's expenditure operating plans equals the total of the DPB operating plan.			
<b>Appropriations – Conclusions Reached and Actions Needed:</b>			

**Exhibit 64: CAPP 20205 – Cash Receipts – Deposits**

<b>Exhibit 64: Cash Deposits</b>			
<b>This Control Implemented and Operating Effectively</b>	<b>O/F/C</b>	<b>Yes/No</b>	<b>Comments</b>
1. The agency has developed internal processing systems capable of separating payments received from the related accounting documents at the earliest possible processing point.			
2. The agency analyzes the full range of cash management techniques and banking services available to determine what benefit can be derived from their use.			
3. Deposit policies and procedures are in accordance with federal and state requirements, clearly stated, and systematically communicated through manuals, handbooks, or other media.			
4. All deposits are properly and accurately recorded and accounted for in CARS in a timely manner.			
5. Check endorsements meet Federal Reserve requirements and include the phrase "For Deposit Only."			
6. Responsibilities for collection and deposit preparation functions are segregated from those for recording cash receipts and general ledger entries.			
7. Responsibilities for cash receipts functions are segregated from those for cash disbursements.			
8. "Non sufficient funds" checks are delivered to someone independent of processing and recording of cash receipts.			
9. Procedures exist for follow-up of "non sufficient funds" checks.			



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<b>Exhibit 64: Cash Deposits</b>			
<b>This Control Implemented and Operating Effectively</b>	<b>O/F/C</b>	<b>Yes/No</b>	<b>Comments</b>
10. Receipts are controlled by cash register, prenumbered receipts, or other equivalent means if payments are made in person.			
11. Receipts are accounted for and balanced to collections on a daily basis.			
12. Facilities exist for protecting undeposited cash receipts.			
<b>Cash Receipts Accounting – Conclusions Reached and Actions Needed:</b>			

**Exhibit 65: CAPP 20305 – Cash Disbursements – Receiving Reports**

<b>Exhibit 65: Receiving Reports</b>			
<b>This Control Implemented and Operating Effectively</b>	<b>O/F/C</b>	<b>Yes/No</b>	<b>Comments</b>
1. The agency documents unacceptable materials and incomplete services on the receiving report and takes the appropriate corrective action with the vendor.			
2. The agency ensures that the requisition and purchase order and vendor invoice are compared to the receiving report prior to approval and payment processing.			
3. A designated individual who is not also authorized to make payments pursuant to the purchase order or contract authorizes receiving reports.			

**Exhibit 66: CAPP 20310 – Cash Disbursements – Expenditures**

<b>Exhibit 66: Expenditures</b>			
<b>This Control Implemented and Operating Effectively</b>	<b>O/F/C</b>	<b>Yes/No</b>	<b>Comments</b>
1. Responsibilities for initiating a purchase are separate from responsibility for approving a payment.			
2. Responsibilities for the invoice processing and accounts payable functions are adequately segregated from those for the general ledger functions.			
3. The agency calculates and assigns the “required” payment due date in accordance with the Prompt Payment Act.			



<b>Exhibit 66: Expenditures</b>			
<b>This Control Implemented and Operating Effectively</b>	<b>O/F/C</b>	<b>Yes/No</b>	<b>Comments</b>
4. The agency maintains the original payment processing documents in an agency file for audit purposes.			
5. The agency has procedures to ensure the proper use of funds for all State expenditures.			

**Exhibit 67: CAPP 20315 – Cash Disbursements – Prompt Payment**

<b>Exhibit 67: Prompt Payment</b>			
<b>This Control Implemented and Operating Effectively</b>	<b>O/F/C</b>	<b>Yes/No</b>	<b>Comments</b>
1. The agency reviews the CARS ACTR1305, Payments Made After the Due Date Report, and the ACTR1306, Due Date Monitoring Report, for compliance with the Prompt Payment Act.			
2. The agency documents unacceptable materials and incomplete services on the receiving report and takes the appropriate corrective action with the vendor.			
3. The agency ensures that the requisition and purchase order and vendor invoice are compared to the receiving report prior to approval and payment processing.			
4. The agency calculates and assigns the “required” payment due date in accordance with the Prompt Payment Act.			

**Exhibit 68: CAPP 20325 – Cash Disbursements – Revenue Refunds**

<b>Exhibit 68: Revenue Refunds</b>			
<b>This Control Implemented and Operating Effectively</b>	<b>O/F/C</b>	<b>Yes/No</b>	<b>Comments</b>
1. An authorized individual on the agency’s signatory form approves revenue refunds to ensure refunds are made in accordance with State regulations.			

**Exhibit 69: CAPP 20330 – Cash Disbursements – Petty Cash**

<b>Exhibit 69: Petty Cash</b>			
<b>This Control Implemented and Operating Effectively</b>	<b>O/F/C</b>	<b>Yes/No</b>	<b>Comments</b>
1. There are at least two people (a cashier and an authorizing official) handling petty cash.			



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<b>Exhibit 69: Petty Cash</b>			
<b>This Control Implemented and Operating Effectively</b>	<b>O/F/C</b>	<b>Yes/No</b>	<b>Comments</b>
2. The bank statement is delivered unopened, directly to person performing the reconciliation.			
3. Someone other than the cashier or authorizing official reconciles the monthly petty cash bank statement.			
4. The agency has a petty cash checking account where funds exceed \$200.			
5. Interest earned on the petty cash checking account is deposited at least quarterly with the Treasurer of Virginia.			
6. The petty cash account is in the name of the agency.			
7. All checks are serially prenumbered and imprinted with "Petty Cash Fund" and the name of the agency.			
8. Checks are only signed upon presentation of satisfactory documentary evidence that the disbursement is proper.			
9. The check register lists every check issued and provides date issued, check number, name of payee, amount disbursed, and the account to be charged.			
10. When the monthly bank statement is received, the register is updated to reflect the checks that have been paid by the bank.			
11. Cancelled checks or carbon copies of the checks and bank statements are maintained for audit by internal auditors and APA.			
12. Spoiled checks are marked "VOID" and the signature line obliterated or mutilated.			
13. Voided checks are filed in numerical sequence with cancelled checks.			
14. The check register shows every bad check and provides the check date, name of maker, amount, and status of collection.			
15. A record is made of every advance payment in a listing or the check register and the record provides the type of advance, the date issued, name of payee, amount disbursed, and date advance was repaid.			
16. The different types of advances (temporary travel, permanent travel, salary, etc.) are recorded on separate pages of the register.			



<b>Exhibit 69: Petty Cash</b>			
<b>This Control Implemented and Operating Effectively</b>	<b>O/F/C</b>	<b>Yes/No</b>	<b>Comments</b>
17. Receipts for all disbursements accompany the request for reimbursement.			

**Exhibit 70: CAPP 20340 – Cash Disbursements – Capital Outlay**

<b>Exhibit 70: Capital Outlay</b>			
<b>This Control Implemented and Operating Effectively</b>	<b>O/F/C</b>	<b>Yes/No</b>	<b>Comments</b>
1. Actual expenditures are compared to planned amounts by project.			
2. Capital outlay plans are updated to reflect approved change orders affecting the original budget.			
3. Plans are set up at only one level (project, task, or phase) for the same project.			
4. The total of the budgeted items at all levels does not exceed the amount fixed for the project plus any change order adjustments.			

**Exhibit 71: CAPP 20345 – Cash Disbursements – Moving and Relocation**

<b>Exhibit 71: Moving and Relocation</b>			
<b>This Control Implemented and Operating Effectively</b>	<b>O/F/C</b>	<b>Yes/No</b>	<b>Comments</b>
1. Agency moving and relocation rules, policies, and procedures are not in conflict with the CAPP Manual regulations.			
2. Agency rules, policies, and procedures are submitted to the State Comptroller for review before becoming effective.			

**Exhibit 72: CAPP 20350 – Cash Disbursements – Non-State Funds**

<b>Exhibit 72: Non-State Funds</b>			
<b>This Control Implemented and Operating Effectively</b>	<b>O/F/C</b>	<b>Yes/No</b>	<b>Comments</b>
1. The agency has developed procedures governing the processing of non-state fund reimbursements.			
2. Goods and services procured are in accordance with the Virginia Public Procurement Act.			
3. Expenditures submitted for reimbursement are properly charged against State funds and processed in accordance with the statewide disbursement guidelines.			



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<b>Exhibit 72: Non-State Funds</b>			
<b>This Control Implemented and Operating Effectively</b>	<b>O/F/C</b>	<b>Yes/No</b>	<b>Comments</b>
4. Duties are segregated between the individuals processing the reimbursement batches and the individuals performing the non-state fund payment review and approval processes.			
5. Each reimbursement voucher is properly completed and the appropriate authorizing signature obtained.			
6. An acceptable receipt such as the vendor's sales document evidencing the purchase/receiving date and the amount paid supports all disbursements in the reimbursement batch.			
7. All payments contained in the reimbursement batch are processed in accordance with the statewide policies and laws governing disbursements.			

### Exhibit 73: CAPP 20355 – Cash Disbursements – Purchase Charge Cards

<b>Exhibit 73: Purchase Charge Cards</b>			
<b>This Control Implemented and Operating Effectively</b>	<b>O/F/C</b>	<b>Yes/No</b>	<b>Comments</b>
1. The agency has developed and documented internal control procedures for the purchasing charge card activities that comply with CAPP Manual Topics 20310, Expenditures; 20315, Prompt Payment; 20320, Information Returns Reporting; 20335, State Travel Regulations; 20350, Non-State Funds; 20355, Purchasing Charge Card; and 30105, Fixed Assets.			
2. The agency has developed and documented internal control procedures that are in compliance with Commonwealth procurement rules and regulations.			
3. The agency has developed and documented internal control procedures that are in compliance with Corporate Purchasing Card contract provisions.			
4. All payments to AMEX are made by the 14 <sup>th</sup> of the month.			
5. Purchase logs and cardholder statements are obtained and reconciled with the corresponding AMEX statement prior to receipt of the next AMEX statement.			
6. Reconciled statements are reviewed and approved in writing by the cardholder's supervisor.			
7. Unacceptable materials and incomplete services are documented and the purchaser takes the appropriate corrective action with the vendor.			



<b>Exhibit 73: Purchase Charge Cards</b>			
<b>This Control Implemented and Operating Effectively</b>	<b>O/F/C</b>	<b>Yes/No</b>	<b>Comments</b>
8. Original payment processing documents are maintained in an agency file for audit purposes.			
<b>Cash Disbursements Accounting – Conclusions Reached and Actions Needed:</b>			

**Exhibit 74: CAPP 20405 – Inter-Agency Payments**

<b>Exhibit 74: Inter Agency Payments</b>			
<b>This Control Implemented and Operating Effectively</b>	<b>O/F/C</b>	<b>Yes/No</b>	<b>Comments</b>
1. Before processing IATs, the agency ensures that the IAT is properly completed by the originating agency or returns the IAT to that agency.			
2. An individual authorized on the agency’s signatory form approves interagency transfers.			

**Exhibit 75: CAPP 20410 – Intra-Agency Journal Entries**

<b>Exhibit 75: Inter Agency Journal Entries</b>			
<b>This Control Implemented and Operating Effectively</b>	<b>O/F/C</b>	<b>Yes/No</b>	<b>Comments</b>
1. The preparation and approval functions of journal entries are segregated.			
2. All journal entries are adequately explained and supported.			
3. The approving officer reviews supporting documentation to ensure the journal entry contains proper coding for the adjustment.			
4. An authorized individual in the agency approves all ATVs.			
<b>Interagency and Intra-Agency Transactions – Conclusions Reached and Actions Needed:</b>			



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**Exhibit 76: CAPP 20505 – Accounts Receivable**

<b>Exhibit 76: Accounts Receivable</b>			
<b>This Control Implemented and Operating Effectively</b>	<b>O/F/C</b>	<b>Yes/No</b>	<b>Comments</b>
1. Accounts receivable policies and procedures are in accordance with Attorney General and Comptroller requirements, clearly stated, and systematically communicated through manuals, handbooks, or other media.			
2. All receivable transactions are properly and accurately recorded, aged, and accounted for in the agency-based accounting system.			
3. Billings are timely and accurately recorded and documented on the date the revenue transaction is completed, or on the nearest normal billing cycle date.			
4. All collections on accounts receivable are deposited and the source and date of payment are recorded in a timely manner.			
5. Responsibilities for billing for services and fees are adequately segregated from those for collection and accounting.			
6. Responsibilities for maintaining detailed accounts receivable records are adequately segregated from those for collection, deposit, and general ledger posting.			
7. All adjustments, write-offs, and discharges are properly authorized, documented, and made in accordance with established policies, procedures and legal requirements.			
8. Uncollected accounts are periodically reviewed and collection actions taken in accordance with established policies, procedures, and legal requirements.			
9. Account balances are aged periodically and reviewed by an official not involved in cash receipts and disbursements.			
10. Recorded balances of receipts and accounts receivable and related transaction activity are periodically substantiated and evaluated.			
11. Required report information is accurately prepared, keyed, and transmitted to the DOA web-based Accounts Receivable Data Entry system by the due date.			
<b>Accounts Receivable – Conclusions Reached and Actions Needed:</b>			



**Exhibit 77: CAPP 20605 – Federal Grants Management**

<b>Exhibit 77: Federal Grants Management</b>			
<b>This Control Implemented and Operating Effectively</b>	<b>O/F/C</b>	<b>Yes/No</b>	<b>Comments</b>
1. Federal grant acquisition and management policies and procedures are in accordance with federal and State requirements, clearly stated and systematically communicated through manuals, handbooks, or other media.			
2. Required federal reports are accurately prepared and submitted by the required due date.			
3. All grant transactions are properly and accurately recorded and accounted for in CARS, either through direct input or interface of an agency-based accounting system, with subsequent reconciliation or correction, as needed.			
4. Requests for advance or reimbursement funds are submitted on a timely basis with accurate and appropriate documentation, minimizing the amount and time federal funds are held.			
<b>Federal Grants Management – Conclusions Reached and Actions Needed:</b>			

**Exhibit 78: CAPP 20705 – Indirect Cost Recovery**

<b>Exhibit 78: Indirect Cost Recovery</b>			
<b>This Control Implemented and Operating Effectively</b>	<b>O/F/C</b>	<b>Yes/No</b>	<b>Comments</b>
1. Unallowable costs are not charged to federal awards either directly or indirectly.			
2. The agency's organizational structure has been reviewed to determine the appropriate proposal methodology.			
3. An indirect cost rate proposal or cost allocation plan has been prepared according to requirements set forth in OMB Circular A-87, Cost Principles for State and Local Governments, or OMB Circular A-21, Cost Principles for Educational Institutions.			
4. The completed indirect cost rate proposal or cost allocation plan has been submitted, negotiated and approved by the cognizant agency in a timely manner.			
5. The approved indirect cost rate or amount has been applied against grant awards.			



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<b>Exhibit 78: Indirect Cost Recovery</b>			
<b>This Control Implemented and Operating Effectively</b>	<b>O/F/C</b>	<b>Yes/No</b>	<b>Comments</b>
<b>Indirect Cost Recovery – Conclusions Reached and Actions Needed:</b>			

**Exhibit 79: CAPP 20805 – Loans Payable**

<b>Exhibit 79: Loans Payable</b>			
<b>This Control Implemented and Operating Effectively</b>	<b>O/F/C</b>	<b>Yes/No</b>	<b>Comments</b>
1. Treasury loan application, use, accounting and reporting, and repayment policies and procedures are in accordance with State requirements, clearly stated, and systematically communicated through manuals, handbooks or other media.			
2. All loan transactions are properly and accurately recorded and accounted for in the agency-based accounting system.			
3. Required reports are accurately prepared and submitted by the due date.			
<b>Loans – Conclusions Reached and Actions Needed:</b>			

**Exhibit 80: CAPP 20905 – CARS Reconciliation Procedures**

<b>Exhibit 80: CARS Reconciliation Procedures</b>			
<b>This Control Implemented and Operating Effectively</b>	<b>O/F/C</b>	<b>Yes/No</b>	<b>Comments</b>
1. The agency reconciles all internally prepared accounting records, data submission logs and other accounting data to reports produced by CARS.			
<b>CARS Reconciliation Procedures – Conclusions Reached and Actions Needed:</b>			



**Exhibit 81: CAPP 70220 – CARS Security**

<b>Exhibit 81: CARS Security</b>			
<b>This Control Implemented and Operating Effectively</b>	<b>O/F/C</b>	<b>Yes/No</b>	<b>Comments</b>
1. The agency has controls over access to CARS.			
2. Access to CARS is limited to individuals who need the access to perform their job responsibilities.			
3. The agency has assigned a CARS Security Officer.			
4. The CARS Security Officer is responsible for the comprehensive system of internal control over both on-line and off-line access to CARS tables and files.			
<b>CARS Security – Conclusions Reached and Actions Needed:</b>			

**Exhibit 82: CAPP 30105 – Fixed Assets – FAACS Overview**

<b>Exhibit 82: FAACS Overview</b>			
<b>This Control Implemented and Operating Effectively</b>	<b>O/F/C</b>	<b>Yes/No</b>	<b>Comments</b>
1. Access to FAACS is limited to those individuals who need the access to perform their job responsibilities.			
2. Fixed assets are only acquired for use in furthering the agency's programs and missions.			
3. All assets within the required capitalization or control limits are recorded in FAACS.			
4. Proper stewardship and control over assets is carried out, including periodic inventories.			
5. Financial statements properly reflect fixed asset balances.			
6. Assets are reasonably protected from theft.			
7. Internal procedures are documented in writing.			
8. Proper segregation of duties is maintained between recording of fixed assets in FAACS and the purchase and disposal of fixed assets.			



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<b>Exhibit 82: FAACS Overview</b>			
<b>This Control Implemented and Operating Effectively</b>	<b>O/F/C</b>	<b>Yes/No</b>	<b>Comments</b>
<b>FAACS Overview – Conclusions Reached and Actions Needed:</b>			

**Exhibit 83: CAPP 30205 – Fixed Assets – Acquisition Method**

<b>Exhibit 83: Fixed Assets Acquisition Method</b>			
<b>This Control Implemented and Operating Effectively</b>	<b>O/F/C</b>	<b>Yes/No</b>	<b>Comments</b>
1. All assets are acquired using an acceptable method of acquisition.			
2. All assets are recorded in a timely manner.			
3. All assets are properly accounted for.			

**Exhibit 84: CAPP 30210 – Fixed Assets – Acquisition Valuation**

<b>Exhibit 84: Fixed Assets Acquisition Valuation</b>			
<b>This Control Implemented and Operating Effectively</b>	<b>O/F/C</b>	<b>Yes/No</b>	<b>Comments</b>
1. All assets are recorded at their proper value.			
2. The method of valuation is properly documented.			
3. All assets are periodically reviewed to avoid material overstatement.			
<b>Asset Acquisition – Conclusions Reached and Actions Needed:</b>			

**Exhibit 85: CAPP 30305 – Fixed Assets – Classification – Capitalized or Controlled Assets**

<b>Exhibit 85: Capitalized or Controlled Fixed Assets</b>			
<b>This Control Implemented and Operating Effectively</b>	<b>O/F/C</b>	<b>Yes/No</b>	<b>Comments</b>
1. Fixed assets purchased with federal grant funds are recorded appropriately in FAACS.			
2. Controls are in place to exclude the depreciation of capitalized fixed assets purchased with Federal grant funds from the indirect cost recovery plan.			



<b>Exhibit 85: Capitalized or Controlled Fixed Assets</b>			
<b>This Control Implemented and Operating Effectively</b>	<b>O/F/C</b>	<b>Yes/No</b>	<b>Comments</b>
3. Assets are properly classified for financial reporting purposes.			
4. Record keeping procedures exist that account for excludable assets.			
5. Excludable assets are safeguarded against damage or theft.			
6. A periodic inventory is performed of excludable assets.			
7. Assets are recorded in FAACS in a timely manner.			
8. Assets are adequately safeguarded and controlled.			

**Exhibit 86: CAPP 30310 – Fixed Assets – Classification – Asset Categorization**

<b>Exhibit 86: Fixed Asset Categorization</b>			
<b>This Control Implemented and Operating Effectively</b>	<b>O/F/C</b>	<b>Yes/No</b>	<b>Comments</b>
1. Assets are properly categorized into the prescribed major asset categories.			
2. All expenditures are properly recorded in CARS to ensure completeness of data for review and evaluation.			
3. All asset expenditures are recorded in a timely and accurate manner and supported by detail documentation.			
4. All assets are further categorized, as appropriate, into more detailed categories necessary for various programmatic cost recoveries.			
5. Appropriate detail is maintained to reconcile data in FAACS with data maintained in the Real Property Management System (RPMS) maintained by the Bureau of Real Property Management (BRPM).			

**Exhibit 87: CAPP 30315 – Fixed Assets – Classification – Nomenclature Codes**

<b>Exhibit 87: Fixed Assets Nomenclature Codes</b>			
<b>This Control Implemented and Operating Effectively</b>	<b>O/F/C</b>	<b>Yes/No</b>	<b>Comments</b>
1. Assets are assigned the appropriate nomenclature code.			
2. Assets are assigned the correct depreciation type.			



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<b>Exhibit 87: Fixed Assets Nomenclature Codes</b>			
<b>This Control Implemented and Operating Effectively</b>	<b>O/F/C</b>	<b>Yes/No</b>	<b>Comments</b>
3. Form 83, "Nomenclature Table Specification," is submitted to DOA for assets requiring a new nomenclature code or changes to an existing nomenclature code.			
<b>Asset Classification – Conclusions Reached and Actions Needed:</b>			

**Exhibit 88: CAPP 30405 – Fixed Assets – Asset Revaluations – Additions, Renovations, and Repairs**

<b>Exhibit 88: Fixed Assets Additions, Renovations, and Repairs</b>			
<b>This Control Implemented and Operating Effectively</b>	<b>O/F/C</b>	<b>Yes/No</b>	<b>Comments</b>
1. All transactions involving additions, renovations, and repairs are evaluated on a case-by-case basis to determine whether costs should or should not be entered on FAACS.			
2. Costs to be entered into FAACS are properly referenced against the underlying original asset.			
3. Proper transaction dates are used for financial reporting and depreciation calculations.			
<b>Asset Revaluations – Conclusions Reached and Actions Needed:</b>			

**Exhibit 89: CAPP 30505 – Fixed Assets – Asset Control and Management – Physical Inventory**

<b>Exhibit 89: Physical Inventory of Fixed Assets</b>			
<b>This Control Implemented and Operating Effectively</b>	<b>O/F/C</b>	<b>Yes/No</b>	<b>Comments</b>
1. All asset transactions are entered into FAACS in a timely manner.			
2. A responsible person whose duties encompass property management approves all adjustments to FAACS data.			
3. All FAACS reports are reviewed in a timely manner for accuracy and completeness.			



<b>Exhibit 89: Physical Inventory of Fixed Assets</b>			
<b>This Control Implemented and Operating Effectively</b>	<b>O/F/C</b>	<b>Yes/No</b>	<b>Comments</b>
4. Discrepancies are thoroughly researched and brought to management's attention.			
5. Inventories are taken at least once every two years.			

**Exhibit 90: CAPP 30510 – Fixed Assets – Asset Control and Management – Asset Maintenance**

<b>Exhibit 90: Fixed Asset Maintenance</b>			
<b>This Control Implemented and Operating Effectively</b>	<b>O/F/C</b>	<b>Yes/No</b>	<b>Comments</b>
1. All pertinent maintenance information and costs are entered in FAACS in a timely manner.			
2. Maintenance costs are periodically reviewed and analyzed.			
3. Maintenance contracts are current and cover only assets approved by management.			
4. Maintenance costs are not incurred for assets covered under comparable warranties.			
5. Warranty expirations are reviewed so maintenance can be continued, when and where necessary.			
<b>Asset Control and Management – Conclusions Reached and Actions Needed:</b>			

**Exhibit 91: CAPP 30605 – Fixed Assets – Asset Depreciation – Useful Life**

<b>Exhibit 91: Useful Lives of Fixed Assets</b>			
<b>This Control Implemented and Operating Effectively</b>	<b>O/F/C</b>	<b>Yes/No</b>	<b>Comments</b>
1. A realistic useful life is assigned to all depreciable assets.			
2. Major assets are periodically examined for major occurrences, which may increase or decrease the existing useful life.			
3. Assets are properly revalued and updated on a timely basis so that proper costs exist for depreciation calculation.			



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**Exhibit 92: CAPP 30610 – Fixed Assets – Asset Depreciation – Methods and Calculations**

<b>Exhibit 92: Methods and Calculations for Fixed Asset Depreciation</b>			
<b>This Control Implemented and Operating Effectively</b>	<b>O/F/C</b>	<b>Yes/No</b>	<b>Comments</b>
1. Asset acquisition cost, acquisition date, and useful life are properly recorded so that accurate depreciation is calculated.			
2. Reconciliations are performed in a timely manner between FAACS straight-line depreciation and any other depreciation method used by the agency.			
3. Depreciation is reviewed for accuracy for inclusion in the financial statements.			
<b>Asset Depreciation – Conclusions Reached and Actions Needed:</b>			

**Exhibit 93: CAPP 30705 – Fixed Assets – Surplus Property – Surplus Property Management**

<b>Exhibit 93: Surplus Property Management</b>			
<b>This Control Implemented and Operating Effectively</b>	<b>O/F/C</b>	<b>Yes/No</b>	<b>Comments</b>
1. All assets are periodically reviewed as to proper status of available, unavailable or surplus.			
2. All surplus items, which are sold or transferred, are properly recorded as disposals.			
3. Depreciation on surplus assets is not included in the overhead pool for federal indirect cost recovery.			
4. Depreciation on all assets, including those surplus, are accounted for in the agency financial statements, where required.			
<b>Surplus Property – Conclusions Reached and Actions Needed:</b>			



**Exhibit 94: CAPP 30805 – Fixed Assets – Asset Disposal – Disposal Management**

<b>Exhibit 94: Asset Disposal Management</b>			
<b>This Control Implemented and Operating Effectively</b>	<b>O/F/C</b>	<b>Yes/No</b>	<b>Comments</b>
1. Disposal reports are reviewed to detect the existence of poor asset control.			
2. Adequate segregation of duties exists between asset physical control and disposal approval.			
3. Procedures exist for the identification and evaluation of disposals of a suspicious nature.			
4. Disposal reports are reviewed to provide more precise definitions of an asset's useful life.			
5. The proper condition exists for the disposal action to occur.			
6. The disposed asset is removed from FAACS in a timely manner.			
7. The effective date of the transaction posted in FAACS is the actual date the condition occurred.			
8. Stolen property is removed from FAACS or reported to security in a timely manner.			
9. IATs issued for transfers are completed through review of FAACS disposal report.			
<b>Asset Disposal – Conclusions Reached and Actions Needed:</b>			

**Exhibit 95: CAPP 30905 – Fixed Assets – Reconciliation and Error Correction**

<b>Exhibit 95: Fixed Assets Reconciliation and Error Correction</b>			
<b>This Control Implemented and Operating Effectively</b>	<b>O/F/C</b>	<b>Yes/No</b>	<b>Comments</b>
1. Controls are maintained over all transactions that affect the general fixed asset account groups of the agency as recorded in central FAACS.			
2. Timely and accurate property management and financial information are provided through FAACS reports for agency management decisions.			



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Exhibit 95: Fixed Assets Reconciliation and Error Correction			
This Control Implemented and Operating Effectively	O/F/C	Yes/No	Comments
3. Clear audit trails from source documents are provided to FAACS accounts for all agency fixed asset transactions.			
4. The reconciliation and error correction processes are well documented and reviewed periodically by senior management.			
<b>Reconciliation and Error Correction – Conclusions Reached and Actions Needed:</b>			

### Exhibit 96: CAPP 31005 – Fixed Assets – Fiscal Year-End Reporting

Exhibit 96: Fiscal Year-End Reporting for Fixed Assets			
This Control Implemented and Operating Effectively	O/F/C	Yes/No	Comments
1. All changes to fixed assets are reviewed for reasonableness.			
2. All reporting requirements set in the Comptroller's annual financial statement directive are met.			
3. All federal reporting requirements are met.			
4. Procedures exist to ensure depreciation on federally funded assets is excluded for indirect cost recovery.			
5. All amounts reported on financial statements are fully reconciled to FAACS and CARS.			

### Exhibit 97: CAPP 31010 – Fixed Assets – Summary User Reporting

Exhibit 97: Summary User Reporting on Fixed Assets			
This Control Implemented and Operating Effectively	O/F/C	Yes/No	Comments
1. Assets are adequately controlled and safeguarded.			
2. Proper reconciliation procedures are in effect and corrections made in a timely manner.			
3. All necessary financial reporting for both state and federal requirements are done in a timely and accurate manner.			
4. All depreciation, where appropriate, is calculated, summarized and reported on a basis consistent with GAAP.			



<b>Exhibit 97: Summary User Reporting on Fixed Assets</b>			
<b>This Control Implemented and Operating Effectively</b>	<b>O/F/C</b>	<b>Yes/No</b>	<b>Comments</b>
5. Internal controls are established which satisfy the requirements of APA.			
<b>Reporting – Conclusions Reached and Actions Needed:</b>			

**Exhibit 98: CAPP 31105 – Fixed Assets – Federal Asset Accounting Requirements**

<b>Exhibit 98: Federal Fixed Asset Accounting Requirements</b>			
<b>This Control Implemented and Operating Effectively</b>	<b>O/F/C</b>	<b>Yes/No</b>	<b>Comments</b>
1. The agency ensures that assets purchased with federal grant funds conform to State and federal rules and regulations.			
2. Cost principles and administrative requirements pertaining to federally funded assets are followed.			
3. Depreciation is computed using a generally accepted method and consistently applied for a particular class of assets.			
4. Controls are in place to exclude the depreciation on capitalized fixed assets purchased with federal grant funds and on surplus property from the indirect cost pool.			
5. The grantor is notified when capitalized assets acquired with grant funds are no longer used in the grant program.			
<b>Federal Asset Accounting – Conclusions Reached and Actions Needed:</b>			

**Exhibit 99: CAPP 70305 – Fixed Assets – Online FAACS Overview**

<b>Exhibit 99: Online FAACS Overview</b>			
<b>This Control Implemented and Operating Effectively</b>	<b>O/F/C</b>	<b>Yes/No</b>	<b>Comments</b>
1. Procedures are in place to ensure that data element field coding defaults are identified and changes to these fields are made when necessary.			
2. Procedures are in place to ensure the proper identification of data element fields entered in FAACS.			



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<b>Exhibit 99: Online FAACS Overview</b>			
<b>This Control Implemented and Operating Effectively</b>	<b>O/F/C</b>	<b>Yes/No</b>	<b>Comments</b>
3. Procedures are in place regarding appropriate reviews and reconciliations to ensure that actual data input to FAACS is accurate and correct.			

**Exhibit 100: CAPP 70310 – Fixed Assets – Online FAACS Security**

<b>Exhibit 100: Cash Deposits</b>			
<b>This Control Implemented and Operating Effectively</b>	<b>O/F/C</b>	<b>Yes/No</b>	<b>Comments</b>
1. The agency has developed internal procedures to ensure assets are properly recorded in FAACS and verification of data on the MASTER FILE is made with the source documents.			
2. The security officer reminds users about the importance of maintaining secret passwords to restrict access to Online FAACS to only authorized personnel.			

**Exhibit 101: CAPP 70360 – Fixed Assets – Online FAACS Interface Requirements**

<b>Exhibit 101: Online FAACS Interface Requirements</b>			
<b>This Control Implemented and Operating Effectively</b>	<b>O/F/C</b>	<b>Yes/No</b>	<b>Comments</b>
1. The agency has procedures to ensure that accurate, uniform and timely information is reported and interfaced.			
2. FAACS and CARS reconciliation procedures are followed.			
<b>Online FAACS – Conclusions Reached and Actions Needed:</b>			

**Exhibit 102: CAPP 31210 – Lease Accounting – Economic Analysis**

<b>Exhibit 102: Economic Analysis for Leases</b>			
<b>This Control Implemented and Operating Effectively</b>	<b>O/F/C</b>	<b>Yes/No</b>	<b>Comments</b>
1. Procedures exist to identify when an economic analysis should be performed.			
2. Every effort is made to obtain favorable rates of interest in the lease or installment purchase.			



<b>Exhibit 102: Economic Analysis for Leases</b>			
<b>This Control Implemented and Operating Effectively</b>	<b>O/F/C</b>	<b>Yes/No</b>	<b>Comments</b>
3. The agency head or designee approval is obtained for all leases shown to have unfavorable terms.			
4. Interest rates are compared to incremental borrowing rates and Treasury Board Financing Program rates.			
5. Treasury Board approval is obtained for alternative financing arrangements for items exceeding prescribed limits.			

**Exhibit 103: CAPP 31215 – Lease Accounting – LAS Transactions**

<b>Exhibit 103: LAS Transactions</b>			
<b>This Control Implemented and Operating Effectively</b>	<b>O/F/C</b>	<b>Yes/No</b>	<b>Comments</b>
1. Access to the lease accounting system is limited to individuals who need the access to perform their job responsibilities.			
2. Potential agreements to acquire property, plant and equipment are properly evaluated to determine if the transaction is truly a lease.			
3. All leases are properly classified as either operating or capital.			
4. All leasehold improvements are properly evaluated for inclusion in FAACS.			

**Exhibit 104: CAPP 31220 – Lease Accounting – LAS Reporting**

<b>Exhibit 104: LAS Reporting</b>			
<b>This Control Implemented and Operating Effectively</b>	<b>O/F/C</b>	<b>Yes/No</b>	<b>Comments</b>
1. All leases are properly classified and included in LAS.			
2. All rental expense and income transactions are posted in CARS.			
3. Assets included in the lease accounting system which are also included in FAACS are properly coded to eliminate duplicate reporting.			
4. Rent expense is reviewed and reconciled for proper disclosure.			
5. The agency ensures familiarity with the FASB and GASB statements and compliance with the Comptroller's Directive on Financial Statement Preparation.			



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<b>Exhibit 104: LAS Reporting</b>			
<b>This Control Implemented and Operating Effectively</b>	<b>O/F/C</b>	<b>Yes/No</b>	<b>Comments</b>
<b>Lease Accounting – Conclusions Reached and Actions Needed:</b>			

**Exhibit 105: CAPP 70605 – Lease Accounting – LAS Input Documents**

<b>Exhibit 105: LAS Input Documents</b>			
<b>This Control Implemented and Operating Effectively</b>	<b>O/F/C</b>	<b>Yes/No</b>	<b>Comments</b>
1. All lease activity is properly controlled by the submission of appropriate lease input documents.			
2. Lease input documents are prepared in a timely and accurate manner.			
3. Lease input documents are reviewed and approved by authorized personnel.			
4. Lease data entered into the system is reconciled to source documentation.			

**Exhibit 106: CAPP 70610 – Lease Accounting – LAS Reports**

<b>Exhibit 106: LAS Reports</b>			
<b>This Control Implemented and Operating Effectively</b>	<b>O/F/C</b>	<b>Yes/No</b>	<b>Comments</b>
1. Files of all active leases are maintained and include LAS reports on each lease and agency-wide “roll up” reports for the most recent fiscal year.			
<b>Lease Accounting System – Conclusions Reached and Actions Needed:</b>			



**Exhibit 107: CAPP 40105, 40205, 40210, 40305, 40405 – CIPPS – Leave Accounting**

<b>Exhibit 107: CIPPS Leave Accounting</b>			
<b>This Control Implemented and Operating Effectively</b>	<b>O/F/C</b>	<b>Yes/No</b>	<b>Comments</b>
1. The agency has established procedures to ensure accurate leave balances are available to employees each payday.			
2. The agency has established appropriate processes governing leave form preparation, authorization, submission, data entry, and reconciliation.			
3. The agency retains documentation supporting entries establishing leave balances.			
4. The agency ensures that maintenance transactions are authorized and entered on a timely basis.			
5. The agency has ensured that employee leave documents are stored in a secure location to maintain the confidentiality of the data.			
6. The agency has appropriately separated tasks related to leave activity to ensure that no one person has control of a transaction from beginning to end.			
<b>Leave Accounting – Conclusions Reached and Actions Needed:</b>			

**Exhibit 108: CAPP 50105 – CIPPS – Introduction to CIPPS**

<b>Exhibit 108: Introduction to CIPPS</b>			
<b>This Control Implemented and Operating Effectively</b>	<b>O/F/C</b>	<b>Yes/No</b>	<b>Comments</b>
1. The agency ensures that employees comply with work schedules.			
2. Overtime is properly authorized.			
3. Proper tax withholdings are based on accurate employee information.			
4. The agency has ensured that management and staff are properly trained in the use of CIPPS and the controls available within the system.			
5. The agency has appropriately segregated payroll-processing tasks to ensure that no one person has control of a transaction from beginning to end.			



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<b>Exhibit 108: Introduction to CIPPS</b>			
<b>This Control Implemented and Operating Effectively</b>	<b>O/F/C</b>	<b>Yes/No</b>	<b>Comments</b>
6. The agency has policies in place to ensure that only authorized persons have access to essential data and are able to make changes to employee pay records.			
7. The agency has policies in place to ensure that paychecks are not distributed prior to payday.			

**Exhibit 109: CAPP 50115 – CIPPS – Menu and Link Functions**

<b>Exhibit 109: CIPPS Menu and Link Functions</b>			
<b>This Control Implemented and Operating Effectively</b>	<b>O/F/C</b>	<b>Yes/No</b>	<b>Comments</b>
1. Proper paperwork and authorizations are in place prior to entering payroll data.			
2. Payroll and fiscal officers review data entry prior to certification.			
3. All applicable forms/applications used to establish an employee record or to make a change to the current information are maintained by the agency for audit purposes.			

**Exhibit 110: CAPP 50120 – CIPPS – Automated Changes**

<b>Exhibit 110: CIPPS Automated Changes</b>			
<b>This Control Implemented and Operating Effectively</b>	<b>O/F/C</b>	<b>Yes/No</b>	<b>Comments</b>
1. All reports generated from the use of mass transactions and automated interface processes are reviewed to verify accuracy of master file changes and updates.			

**Exhibit 111: CAPP 50125 – CIPPS – Programmatic Data**

<b>Exhibit 111: CIPPS Programmatic Data</b>			
<b>This Control Implemented and Operating Effectively</b>	<b>O/F/C</b>	<b>Yes/No</b>	<b>Comments</b>
1. All funding information is approved and established for agency use in CARS prior to entry into CIPPS.			



**Exhibit 112: CAPP 50130 – CIPPS – Batch Processing and Balancing**

<b>Exhibit 112: CIPPS Batch Processing and Balancing</b>			
<b>This Control Implemented and Operating Effectively</b>	<b>O/F/C</b>	<b>Yes/No</b>	<b>Comments</b>
1. All batch transactions are complete, properly authorized, and accurately entered into CIPPS.			
2. Out-of-balance payroll batches are reviewed and evaluated to ensure proper payroll processing.			
3. Documentation supporting the batch data entry is available for review during the pre- and post-certification process and is retained for audit purposes.			

**Exhibit 113: CAPP 50135 – CIPPS – Pending File**

<b>Exhibit 113: CIPPS Pending File</b>			
<b>This Control Implemented and Operating Effectively</b>	<b>O/F/C</b>	<b>Yes/No</b>	<b>Comments</b>
1. Documentation and authorization exists for all employee record changes and payroll transactions and is retained for audit purposes.			
2. Pending file reports are reviewed routinely and all outdated or unnecessary transactions are deleted.			
<b>CIPPS – Conclusions Reached and Actions Needed:</b>			

**Exhibit 114: CAPP 50205 – CIPPS – Agency Profiles – Agency Information**

<b>Exhibit 114: CIPPS Agency Information</b>			
<b>This Control Implemented and Operating Effectively</b>	<b>O/F/C</b>	<b>Yes/No</b>	<b>Comments</b>
1. Agency management obtains the appropriate federal and state employer identification numbers required to withhold payroll taxes.			
2. The agency sends employer name/address changes and key personnel changes timely to ensure no disruption in communications or payroll reporting.			
3. The agency researches and corrects charges made to the default expenditure coding for the CIPPS general ledger interface and the automated healthcare reconciliation.			



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<b>Exhibit 114: CIPPS Agency Information</b>			
<b>This Control Implemented and Operating Effectively</b>	<b>O/F/C</b>	<b>Yes/No</b>	<b>Comments</b>
4. The agency reviews Report 59, Gross Pay Limit Exceeded, and all payments or hours paid in a particular pay period that exceed agency default values are researched and verified for accuracy.			

**Exhibit 115: CAPP 50210 – CIPPS – Agency Profiles – User Security**

<b>Exhibit 115: CIPPS User Security</b>			
<b>This Control Implemented and Operating Effectively</b>	<b>O/F/C</b>	<b>Yes/No</b>	<b>Comments</b>
1. The agency CIPPS Security Officer verifies the appropriateness of security actions and levels prior to the submission of the CIPPS Security Authorization Request form to DOA.			
2. The agency has developed procedures governing the levels of security requested.			
3. The agency requires the timely submission of requests to delete access for terminated/transferred employees so as to safeguard the assets of the Commonwealth.			
4. All copies of the CIPPS Security Authorization Requests and agency Security Spreadsheets are maintained by the agency for audit purposes.			
5. The agency responds timely to the annual distribution of the security verification report, noting required changes or acceptance of existing security.			
6. The agency has policies in place to ensure that Individuals with Certification access do not have access to Update Payroll.			
<b>Maintain Agency Profile Information – Conclusions Reached and Actions Needed:</b>			

**Exhibit 116: CAPP 50305 – CIPPS – Employee Profiles – New Employee Add**

<b>Exhibit 116: Adding New Employees to CIPPS</b>			
<b>This Control Implemented and Operating Effectively</b>	<b>O/F/C</b>	<b>Yes/No</b>	<b>Comments</b>
1. The documentation supporting the hiring of employees is properly completed and authorized before processing.			
2. Prior to certification, a review of all information pertaining to the new hires is performed to ensure the correctness of the data entry.			



<b>Exhibit 116: Adding New Employees to CIPPS</b>			
<b>This Control Implemented and Operating Effectively</b>	<b>O/F/C</b>	<b>Yes/No</b>	<b>Comments</b>
3. The agency has developed policies and procedures concerning the data entry and review processes.			
4. The agency maintains, for audit purposes, all applicable forms/applications used to establish an employee record or to make a change to the current information.			

**Exhibit 117: CAPP 50310 – CIPPS – Employee Profiles – Rehires and Employee Data Changes**

<b>Exhibit 117: Entering Changes and Rehires into CIPPS</b>			
<b>This Control Implemented and Operating Effectively</b>	<b>O/F/C</b>	<b>Yes/No</b>	<b>Comments</b>
1. Documentation supporting rehires and employee maintenance is completed and authorized prior to data entry.			
2. Agency management ensures the correctness of data entry by reviewing information pertaining to rehires and employee master file changes.			
3. The agency has developed policies and procedures concerning the data entry and review processes.			
4. The agency maintains for audit purposes all applicable forms/applications used to establish an employee record or to make a change to the current information.			

**Exhibit 118: CAPP 50315 – CIPPS – Employee Profiles – Employee Tax Maintenance**

<b>Exhibit 118: Maintaining Employee Tax Data in CIPPS</b>			
<b>This Control Implemented and Operating Effectively</b>	<b>O/F/C</b>	<b>Yes/No</b>	<b>Comments</b>
1. The agency ensures that all employees complete both federal and state withholding forms.			
2. The agency withholds the allowances claimed by the employee on Form W-4s and any additional amount requested on both the federal and state withholding forms.			
3. The agency ensures that all reciprocal tax agreements with other states are honored and taxes are withheld and reported to those states.			



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<b>Exhibit 118: Maintaining Employee Tax Data in CIPPS</b>			
<b>This Control Implemented and Operating Effectively</b>	<b>O/F/C</b>	<b>Yes/No</b>	<b>Comments</b>
4. The agency sends copies of W-4s to the IRS on a quarterly basis when the employee claims more than ten exemptions.			
5. The agency requires eligible employees to complete a new W-5, Earned Income Credit form, by certification of the first pay period of the new calendar year.			
6. The agency ensures that Local Income Taxes are withheld as required.			

### Exhibit 119: CAPP 50320 – CIPPS – Employee Profiles – Terminations

<b>Exhibit 119: CIPPS Terminations</b>			
<b>This Control Implemented and Operating Effectively</b>	<b>O/F/C</b>	<b>Yes/No</b>	<b>Comments</b>
1. The agency verifies that CIPPS information concerning terminating employees is complete, properly authorized, and entered accurately into CIPPS.			
2. The agency's fiscal officer ensures that all payments have been properly and accurately issued and that any outstanding advances or agency property have been recovered prior to the final payment issued to the employee.			
3. The agency ensures that all benefit deductions are adjusted as required prior to final payment to the employee.			
4. The agency ensures that all debt-set off amounts have been recovered and processed.			
<b>Establish/CIPPS Employee Profiles – Conclusions Reached and Actions Needed:</b>			

### Exhibit 120: CAPP 50405 – CIPPS – Deductions – Court-Ordered Withholdings

<b>Exhibit 120: Court-Ordered Withholdings in CIPPS</b>			
<b>This Control Implemented and Operating Effectively</b>	<b>O/F/C</b>	<b>Yes/No</b>	<b>Comments</b>
1. The agency ensures that third-party payments are deducted in accordance with the Court Order or levy and applicable laws governing debt collections.			
2. Third-party payments are forwarded to the creditor by the due date.			



<b>Exhibit 120: Court-Ordered Withholdings in CIPPS</b>			
<b>This Control Implemented and Operating Effectively</b>	<b>O/F/C</b>	<b>Yes/No</b>	<b>Comments</b>
3. The agency ensures that processing fees are withheld as appropriate.			
4. The agency ensures that deductions for third-party payments are turned off in compliance with return dates.			

**Exhibit 121: CAPP 50410 – CIPPS – Deductions – Retirement – VRS and ORP**

<b>Exhibit 121: VRS and ORP Retirement in CIPPS</b>			
<b>This Control Implemented and Operating Effectively</b>	<b>O/F/C</b>	<b>Yes/No</b>	<b>Comments</b>
1. Retirement, retirement credit, group insurance, and long-term disability and other corresponding retirement plan deductions are established properly in CIPPS.			
2. The monthly reconciliation of retirement plan contributions is performed timely and any IAT or 1501 adjustments are processed promptly.			
3. Employee enrollment information and any supporting documentation are maintained for audit purposes.			

**Exhibit 122: CAPP 50415 – CIPPS – Deductions – Retirement – Salary Reduction Plans**

<b>Exhibit 122: Retirement Salary Reduction Plans in CIPPS</b>			
<b>This Control Implemented and Operating Effectively</b>	<b>O/F/C</b>	<b>Yes/No</b>	<b>Comments</b>
1. Proper documentation exists prior to initiating any change to an employee master file and changes are made accurately and timely.			
2. Reports 855 or 857 (Deferred Compensation/Annuity Excess Deduction Reports) are used to assist in identifying employees who may be approaching or exceeding plan contribution limits.			

**Exhibit 123: CAPP 50420 – CIPPS – Deductions – Cash Match Plans**

<b>Exhibit 123: Cash Match Plans</b>			
<b>This Control Implemented and Operating Effectively</b>	<b>O/F/C</b>	<b>Yes/No</b>	<b>Comments</b>
1. The agency uses the Report 906 to identify potential exceptions for the cash match.			



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<b>Exhibit 123: Cash Match Plans</b>			
<b>This Control Implemented and Operating Effectively</b>	<b>O/F/C</b>	<b>Yes/No</b>	<b>Comments</b>
2. For employees reported on Report 906, the agency verifies the accuracy of the Cash Match deduction amounts and makes any necessary changes to the amounts to be in compliance with the rules of the Cash Match program.			

**Exhibit 124: CAPP 50425 – CIPPS – Deductions – Group and Optional Life Insurance**

<b>Exhibit 124: Group and Optional Life Insurance</b>			
<b>This Control Implemented and Operating Effectively</b>	<b>O/F/C</b>	<b>Yes/No</b>	<b>Comments</b>
1. The agency ensures that group and optional group life plan deductions are established properly in CIPPS.			
2. A monthly reconciliation of group and optional group life contributions is performed and any adjustments to correct employee records are performed timely.			
3. Employee enrollment information and any supporting documentation are maintained for audit purposes.			
4. The agency ensures that Imputed Life is accurately entered in CIPPS.			

**Exhibit 125: CAPP 50430 – CIPPS – Deductions – Health Insurance**

<b>Exhibit 125: Health Insurance Deductions</b>			
<b>This Control Implemented and Operating Effectively</b>	<b>O/F/C</b>	<b>Yes/No</b>	<b>Comments</b>
1. The agency ensures that all employee and agency premiums due according to BES are paid.			
2. The monthly reconciliation of health care premiums collected through payroll to authorization in BES is performed timely and any IAT adjustments processed.			
3. The agency ensures that applicable forms affecting employee healthcare plan eligibility and the related payroll deductions are maintained for audit.			



**Exhibit 126: CAPP 50435 – CIPPS – Deductions – Flexible Spending Accounts**

<b>Exhibit 126: Flexible Spending Accounts</b>			
<b>This Control Implemented and Operating Effectively</b>	<b>O/F/C</b>	<b>Yes/No</b>	<b>Comments</b>
1. The agency ensures that there is proper documentation (e.g. BES turnaround document) prior to initiating any change to an employee's reimbursement account.			
2. Maximum deferral amounts are not exceeded.			
3. The agency ensures that deductions are processed appropriately for terminated employees or employees on LWOP.			

**Exhibit 127: CAPP 50440 – CIPPS – Deductions – Savings Bonds**

<b>Exhibit 127: Savings Bonds Deductions</b>			
<b>This Control Implemented and Operating Effectively</b>	<b>O/F/C</b>	<b>Yes/No</b>	<b>Comments</b>
1. The agency verifies that CIPPS bonds information is complete, properly authorized, and entered accurately into the system.			

**Exhibit 128: CAPP 50445 – CIPPS – Deductions – Direct Deposit**

<b>Exhibit 128: Direct Deposit Deductions</b>			
<b>This Control Implemented and Operating Effectively</b>	<b>O/F/C</b>	<b>Yes/No</b>	<b>Comments</b>
1. Direct deposit payments are made to the correct employee bank account.			
2. Any stop payment/reversal required is communicated immediately to DOA to enable a successful retrieval of funds.			
3. The agency maintains copies of employee direct deposit enrollment applications.			
4. The agency notifies employee when stop payment/reversal of direct deposit is required.			



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**Exhibit 129: CAPP 50450 – CIPPS – Deductions – Parking and Transportation**

<b>Exhibit 129: Parking and Transportation Deductions</b>			
<b>This Control Implemented and Operating Effectively</b>	<b>O/F/C</b>	<b>Yes/No</b>	<b>Comments</b>
1. The agency ensures that employees pay for assigned parking spaces and obtain appropriate salary reduction agreements for pre-tax deductions.			
2. The agency reconciles the DGS Parking Fee Suspense Account monthly.			
3. The agency retains supporting payroll documents for audit purposes.			

**Exhibit 130: CAPP 50455 – CIPPS – Deductions – Miscellaneous Employee Deductions**

<b>Exhibit 130: Miscellaneous Employee Deductions</b>			
<b>This Control Implemented and Operating Effectively</b>	<b>O/F/C</b>	<b>Yes/No</b>	<b>Comments</b>
1. The agency ensures that all required employee authorizations are obtained before the deduction is established in CIPPS.			
2. The agency retains supporting payroll documents for audit purposes.			
<b>Deductions – Conclusions Reached and Actions Needed:</b>			

**Exhibit 131: CAPP 50505 – CIPPS – Employee Pay – Time and Attendance**

<b>Exhibit 131: Time and Attendance</b>			
<b>This Control Implemented and Operating Effectively</b>	<b>O/F/C</b>	<b>Yes/No</b>	<b>Comments</b>
1. The agency verifies that all source documents such as timecards, timesheets, or any other authorization used to pay or adjust an employee's pay, have been properly completed, authorized by the appropriate party, and entered accurately into CIPPS.			
2. CIPPS payroll duties are segregated between the person who collects and processes the source documents and the fiscal manager who oversees the payroll operations to ensure consistent application of internal control procedures.			
3. Proper source documentation is maintained and accessible for current or future review.			



<b>Exhibit 131: Time and Attendance</b>			
<b>This Control Implemented and Operating Effectively</b>	<b>O/F/C</b>	<b>Yes/No</b>	<b>Comments</b>
4. The agency reviews the DOA centralized post audit of all CIPPS payments under the CIPPS/PMIS compare program and researches, explains and takes corrective action where necessary.			

**Exhibit 132: CAPP 50510 – CIPPS – Employee Pay – Unpaid Leaves of Absence and Overpayments**

<b>Exhibit 132: Unpaid Leaves of Absence and Overpayments</b>			
<b>This Control Implemented and Operating Effectively</b>	<b>O/F/C</b>	<b>Yes/No</b>	<b>Comments</b>
1. Accurate and complete timekeeping is performed to ensure that all periods of LWOP are reported and salary payments docked accordingly.			
2. The agency has implemented policies and procedures concerning LWOP and overpayments.			
3. All reductions in an employee's salary are properly authorized and entered into CIPPS correctly and timely.			
4. The agency retains supporting payroll documents for audit purposes.			
5. The agency has procedures in place to ensure that benefits are adjusted appropriately.			

**Exhibit 133: CAPP 50515 – CIPPS – Employee Pay – Special Payments**

<b>Exhibit 133: Special Employee Payments</b>			
<b>This Control Implemented and Operating Effectively</b>	<b>O/F/C</b>	<b>Yes/No</b>	<b>Comments</b>
1. The agency verifies that information pertaining to special payments is complete, properly authorized, and entered accurately into CIPPS.			
2. Policies and procedures have been established to ensure the proper review of information entered into CIPPS before the certification process.			
3. CIPPS payroll duties are segregated between the person who collects and processes the source documents and the fiscal manager who oversees the payroll operations to ensure consistent application of internal control procedures.			



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**Exhibit 134: CAPP 50520 – CIPPS – Employee Pay – Workers Compensation**

<b>Exhibit 134: Workers' Compensation</b>			
<b>This Control Implemented and Operating Effectively</b>	<b>O/F/C</b>	<b>Yes/No</b>	<b>Comments</b>
1. The agency has established and maintained consistent standards and procedures for the payment of workers' compensation awards and the calculation of related pay, fringe benefits, and leave.			
2. The agency verifies that the information processed is complete, properly authorized, and entered accurately into CIPPS.			
3. Payroll actions made to CIPPS are segregated between the person who collects and processes the source documents and the fiscal manager who oversees the payroll operations to ensure consistent application of internal control procedures.			
4. The agency retains supporting payroll documents for audit purposes.			

**Exhibit 135: CAPP 50525 – CIPPS – Employee Pay – Virginia Sickness and Disability Program**

<b>Exhibit 135: Virginia Sickness and Disability Program</b>			
<b>This Control Implemented and Operating Effectively</b>	<b>O/F/C</b>	<b>Yes/No</b>	<b>Comments</b>
1. The agency has policies and procedures in place governing VSDP claim payment processing.			
2. The procedures incorporate employee notification, receipt of VSDP TPA action reports, compliance with the VSDP program guidelines, and employee leave usage.			
3. Agency payroll personnel, fiscal officers, and human resource personnel coordinate effectively to ensure proper payment to employees.			

**Exhibit 136: CAPP 50530 – CIPPS – Employee Pay – Void Payments**

<b>Exhibit 136: Virginia Sickness and Disability Program</b>			
<b>This Control Implemented and Operating Effectively</b>	<b>O/F/C</b>	<b>Yes/No</b>	<b>Comments</b>
1. All voids submitted to DOA for processing are properly prepared by the payroll technician and reviewed by the fiscal manager to ensure validity.			
2. The fiscal manager documents evidence of the review of the appropriate documents and reports by providing a signature and date of the review.			



<b>Exhibit 136: Virginia Sickness and Disability Program</b>			
<b>This Control Implemented and Operating Effectively</b>	<b>O/F/C</b>	<b>Yes/No</b>	<b>Comments</b>
3. The agency has procedures in place to ensure that void checks are processed within 45 days from the check date.			
<b>Paying the Employee – Conclusions Reached and Actions Needed:</b>			

**Exhibit 137: CAPP 50605 – CIPPS – Tax and Deduction Adjustments and Overrides**

<b>Exhibit 137: Adjustments and Overrides for Taxes and Deductions</b>			
<b>This Control Implemented and Operating Effectively</b>	<b>O/F/C</b>	<b>Yes/No</b>	<b>Comments</b>
1. The agency verifies that changes to employee and tax master files have been properly authorized and entered accurately into CIPPS.			
<b>Tax and Deduction Adjustments – Conclusions Reached and Actions Needed:</b>			

**Exhibit 138: CAPP 50705 – CIPPS – Employee and Tax Master File Updates**

<b>Exhibit 138: Employee and Tax Master File Updates</b>			
<b>This Control Implemented and Operating Effectively</b>	<b>O/F/C</b>	<b>Yes/No</b>	<b>Comments</b>
1. Before entering a manual pay set, the agency ensures that proper documentation (i.e. memorandums, authorizations) has been received and approved by appropriate parties.			
2. After entering a manual pay set, the agency verifies the results to ensure the entries are processed as expected.			
<b>Master File Updates – Conclusions Reached and Actions Needed:</b>			



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**Exhibit 139: CAPP 50805, 50810, 50815 – CIPPS – Payroll Certification**

<b>Exhibit 139: CAPP 50805, 50810, 50815 – Payroll Certification</b>			
<b>This Control Implemented and Operating Effectively</b>	<b>O/F/C</b>	<b>Yes/No</b>	<b>Comments</b>
1. The agency has policies and procedures governing the certification process.			
2. The person responsible for data entry of the payroll is not the person responsible for certification of payroll.			
3. There is an assigned primary certifier and backup in cases when the primary certifier is not available.			
4. There are procedures in place to ensure that unauthorized personnel do not breach the certification security.			
5. There are procedures in place to ensure that security is continuously updated.			

**Exhibit 140: CAPP 50820 – CIPPS – Payroll Certification – Post-Certification Activities**

<b>Exhibit 140: Payroll Post-Certification Activities</b>			
<b>This Control Implemented and Operating Effectively</b>	<b>O/F/C</b>	<b>Yes/No</b>	<b>Comments</b>
1. The agency has policies and procedures governing the post-certification process.			
2. Procedures are in place to ensure that unauthorized personnel do not breach the certification security.			
3. Procedures are in place to reconcile the pre- and post-certification amounts and resolve any discrepancies that may exist.			
4. Procedures are in place to ensure employees are not paid more than they are entitled to or paid less than they are entitled to.			
<b>Payroll Certification – Conclusions Reached and Actions Needed:</b>			



**Exhibit 141: CAPP 50905 – CIPPS – Reconciliation – Monthly Reconciliation**

<b>Exhibit 141: Monthly CIPPS Reconciliation</b>			
<b>This Control Implemented and Operating Effectively</b>	<b>O/F/C</b>	<b>Yes/No</b>	<b>Comments</b>
1. The agency completes and submits required reconciliations in a timely manner.			
2. The agency ensures that all records are maintained accurately and completely.			

**Exhibit 142: CAPP 50910 – CIPPS – Reconciliation – Quarterly Reconciliation and Certification**

<b>Exhibit 142: Quarterly CIPPS Reconciliation and Certification</b>			
<b>This Control Implemented and Operating Effectively</b>	<b>O/F/C</b>	<b>Yes/No</b>	<b>Comments</b>
1. Fiscal management ensures that all quarterly reports have been reviewed and audited.			
2. Fiscal management ensures that all appropriate adjustments have been made prior to the certification of the final year-to-date totals on the quarterly report.			

**Exhibit 143: CAPP 50915 – CIPPS – Reconciliation – Calendar Year-End Reconciliation and Certification**

<b>Exhibit 143: Calendar Year-End CIPPS Reconciliation and Certification</b>			
<b>This Control Implemented and Operating Effectively</b>	<b>O/F/C</b>	<b>Yes/No</b>	<b>Comments</b>
1. Fiscal management ensures that year-end reports have been reviewed and audited.			
2. Fiscal management ensures that all appropriate adjustments have been made prior to the certification of final year-to-date totals.			
3. Fiscal management ensures that all deadlines are adhered to and W-2s issued in compliance with all regulations.			
<b>Reconciliation – Conclusions Reached and Actions Needed:</b>			



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**Exhibit 144: CAPP 70510 – CIPPS – Magnetic Media Interface Requirements**

<b>Exhibit 144: CIPPS Magnetic Media Interface Requirements</b>			
<b>This Control Implemented and Operating Effectively</b>	<b>O/F/C</b>	<b>Yes/No</b>	<b>Comments</b>
1. Batch transactions procedures ensure valid transactions are properly recorded and executed.			
2. The agency has procedures to ensure batches are not duplicated.			
3. Fiscal positions, responsible for approving and releasing transactions to DOA, are defined within the agency.			
4. Adequate security measures are followed to ensure confidentiality of data being transmitted.			
5. Agency procedures pertaining to the transaction approval process, submission of batch transactions, and the assignment of CIPPS access capabilities and user levels for agency personnel are developed and documented in such a manner that they can be audited by APA.			
<b>Payroll Accounting – CIPPS Magnetic Media Interface Requirements – Conclusions Reached and Actions Needed:</b>			

**Exhibit 145: CAPP 70735 – CIPPS – FINDS Payroll Audit Tool**

<b>Exhibit 145: FINDS Payroll Audit Tool</b>			
<b>This Control Implemented and Operating Effectively</b>	<b>O/F/C</b>	<b>Yes/No</b>	<b>Comments</b>
1. Policies and procedures specify how PAT Reports will be used for general information, payroll certification, budgeting, or other processes internally.			
<b>FINDS CIPPS Payroll Audit Exhibit – Conclusions Reached and Actions Needed:</b>			

<b>CONTROL ACTIVITIES COMPONENT SUMMARY – Conclusions Reached and Actions Needed:</b>



**Exhibit 146: CAPP 70105 – Agency-Based Automated Accounting Systems**

<b>Exhibit 146: Agency-Based Automated Accounting Systems</b>			
<b>This Control Implemented and Operating Effectively</b>	<b>O/F/C</b>	<b>Yes/No</b>	<b>Comments</b>
1. The agency planned and conducted the design, development, implementation, operation, or modification of automated accounting systems in accordance with the information systems security, development and maintenance policies and regulations of the Virginia Information Technologies agency.			
2. The agency has procedures in place to reconcile records in agency systems to central systems.			
<b>Agency-Based Automated Accounting Systems – Conclusions Reached and Actions Needed:</b>			

**COMPONENT 7: INFORMATION AND COMMUNICATION**

**Information** is needed at all levels of an organization to identify, assess, and respond to risks, and to otherwise run the agency and achieve its objectives. Operating information from both internal and external sources and both financial and non-financial, is essential for developing financial, compliance, and other reports.

**Exhibit 147: Information**

<b>Exhibit 147: Information</b>		
<b>This Control Implemented and Operating Effectively</b>	<b>Agree/Disagree</b>	<b>Comments</b>
1. Adequate information gathering mechanisms are in place to provide information to appropriate personnel so that they can carry out their operating, reporting, and compliance responsibilities.	5 4 3 2 1 NA	
2. Reports generated or used by each division are adequate and contain sufficient and meaningful information.	5 4 3 2 1 0 NA	
3. Mechanisms exist for identifying emerging information needs.	5 4 3 2 1 0 NA	
4. An information technology plan has been developed for each division that is linked to achieving the division's objectives.	5 4 3 2 1 0 NA	



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<b>Exhibit 147: Information</b>		
<b>This Control Implemented and Operating Effectively</b>	<b>Agree/Disagree</b>	<b>Comments</b>
5. Information technology plans are modified as needed to supported new objectives.	5 4 3 2 1 0 NA	
<b>Conclusions Reached and Actions Needed:</b>		

**Communication** is inherent in information systems. Communication not only provides information to appropriate personnel to carry out their responsibilities but communication also takes place when dealing with expectations, responsibilities of individuals and groups, and other important matters.

Management provides specific and directed communication that addresses behavioral expectations and the responsibilities of personnel. This includes a clear statement of the agency’s risk management philosophy and approach and a clear delegation of authority. Communication about processes and procedures should align with, and underpin, the desired culture. Communication should effectively convey the importance and relevance of ARM, the agency’s objectives, risk appetite, and risk tolerances, a common risk language, and the roles and responsibilities of personnel in affecting and supporting the components of ARM. Personnel must know what is deemed acceptable and unacceptable behavior.

Front-line employees who deal with critical operating issues every day are often in the best position to recognize problems as they arise, and communications channels should ensure personnel can communicate risk-based information across divisions and processes as well as to their managers. Communication breakdowns can occur when individuals or units are discouraged from providing information important to others or do not have a vehicle to provide it. Personnel must believe their managers truly want to know about problems and will deal with them effectively. A relevant and comprehensive code of conduct, coupled with employee training sessions, and ongoing corporate communications and feedback mechanisms, along with the right example set by the actions of senior management, can reinforce these important messages.



**Exhibit 148: Communication**

<b>Exhibit 148: Communication</b>		
<b>This Control Implemented and Operating Effectively</b>	<b>Agree/Disagree</b>	<b>Comments</b>
1. Management clearly and effectively communicates employees' internal control and risk assessment duties and responsibilities and these roles and responsibilities are uniformly understood.	5 4 3 2 1 0 NA	
2. Communication channels exist for employees to effectively communicate up, down and across within an agency.	5 4 3 2 1 0 NA	
3. Computer information/analytical reports are provided to the right people, with the right level of details, at the right time.	5 4 3 2 1 0 NA	
4. Mechanisms are in place to identify emerging technology needs, establish priorities, and provide feedback on system performance.	5 4 3 2 1 0 NA	
5. A clear communication channel is available to report suspected improprieties.	5 4 3 2 1 0 NA	
6. Persons who report suspected improprieties are provided feedback and are immune from reprisals.	5 4 3 2 1 0 NA	
7. Realistic mechanisms are in place for employees to provide recommendations for improvement.	5 4 3 2 1 0 NA	
8. Good employee suggestions are acknowledged by providing incentives or other meaningful recognition.	5 4 3 2 1 0 NA	
9. Changes with respect to agency-wide objectives and strategies are communicated timely and effectively to all affected personnel.	5 4 3 2 1 0 NA	
10. Outside parties understand the agency's ethical and behavioral standards and expectations regarding dealings with the agency.	5 4 3 2 1 0 NA	
11. Management is receptive to comments by internal and external auditors regarding control deficiencies or suggestions for process improvement. Appropriate actions are taken and documented.	5 4 3 2 1 0 NA	
<b>Conclusions Reached and Actions Needed:</b>		



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**INFORMATION AND COMMUNICATION COMPONENT SUMMARY – Conclusions Reached and Actions Needed:**

**COMPONENT 8: MONITORING**

Monitoring of the effectiveness of an agency’s ARM can be done in two ways: through ongoing activities or separate evaluations. Ongoing monitoring is built into the normal, recurring operating activities of an agency, is performed on a real-time basis, reacts dynamically to changing conditions, and is ingrained in the agency. Ongoing monitoring often stems from regular management activities, which might involve analysis, comparison of information from disparate sources, and dealing with unexpected occurrences.

**Exhibit 149: Monitoring**

<b>Exhibit 149: Monitoring</b>		
<b>This Control Implemented and Operating Effectively</b>	<b>Agree/Disagree</b>	<b>Comments</b>
1. Management has established performance measures for processes in a division and receives periodic reports of results against those measures.	5 4 3 2 1 0 NA	
2. Personnel responsible for reports in a division are required to “sign off” on their accuracy and integrity and are held accountable if errors are discovered.	5 4 3 2 1 0 NA	
3. In the event of known control breakdowns or deficiencies, controls that should have prevented or detected problems are reassessed and modified as appropriate.	5 4 3 2 1 0 NA	
4. Controls most critical to mitigating high priority risks in your function are evaluated with appropriate frequency.	5 4 3 2 1 0 NA	
5. Evaluations of the entire internal control system are performed when there are major strategy changes, major acquisitions or dispositions, or operations and methods of processing financial information are changed.	5 4 3 2 1 0 NA	
6. An appropriate level of documentation is developed by your function to facilitate the understanding of how your internal control system works.	5 4 3 2 1 0 NA	
7. Employees are provided with sufficient control and compliance training sessions and feedback opportunities.	5 4 3 2 1 0 NA	



<b>Exhibit 149: Monitoring</b>		
<b>This Control Implemented and Operating Effectively</b>	<b>Agree/Disagree</b>	<b>Comments</b>
8. Control deficiencies are identified by on-going monitoring activities of the agency, including managerial activities and everyday supervision of employees.	5 4 3 2 1 0 NA	
9. Control deficiencies are identified during separate evaluations of the agency's internal control system.	5 4 3 2 1 0 NA	
10. Internal control deficiencies are reported to the person directly responsible for the activity and to a person at least one level higher.	5 4 3 2 1 0 NA	
11. Specifications have been established for deficiencies that should be reported to more senior management and to the board.	5 4 3 2 1 0 NA	
12. Senior management ensures that the necessary follow-up actions are taken in response to reported control deficiencies.	5 4 3 2 1 0 NA	
13. Current audit/compliance reporting procedures are timely and effective	5 4 3 2 1 0 NA	
<b>Conclusions Reached and Actions Needed:</b>		

**Internal and external auditors** regularly provide recommendations to strengthen ARM. Auditors focus considerable attention on key risks and related responses and design of control activities. Potential weaknesses are identified, and alternative actions recommended to management, accompanied by information useful in making cost-benefit determinations. Auditors can perform effectiveness reviews of management's risk assessments and internal controls. They can provide advice in the design and improvement of control systems and risk mitigation strategies.



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**Exhibit 150: The Internal Audit Function**

<b>Exhibit 150: The Internal Audit Function</b>		
<b>This Control Implemented and Operating Effectively</b>	<b>Agree/Disagree</b>	<b>Comments</b>
1. The internal and external audit functions have personnel who have the experience and skills necessary to understand your division's operations.	5 4 3 2 1 0 NA	
2. Internal auditing has the support of top management.	5 4 3 2 1 0 NA	
3. The organizational relationship between internal auditing and senior management is appropriate.	5 4 3 2 1 0 NA	
4. Internal auditing has and uses open lines of communication and private access to all senior management.	5 4 3 2 1 0 NA	
5. Audit reports cover the right subjects, are distributed to the right people and are acted upon in a timely manner.	5 4 3 2 1 0 NA	
6. In regards to ARM, internal auditing: (1) gives assurance on risk management processes and that risks are correctly evaluated, (2) evaluates risk management processes and reporting of key risks, and (3) reviews the management of key risks.	5 4 3 2 1 0 NA	
<b>Conclusions Reached and Actions Needed:</b>		

<b>MONITORING COMPONENT SUMMARY – CONCLUSIONS REACHED AND ACTIONS NEEDED:</b>
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**Information Systems Controls**

There are two broad groupings of information systems controls – general controls and application controls. General controls (also known as IT infrastructure controls) include the structure, policies, and procedures that apply to the agency's overall computer operations. It applies to all information systems – mainframe, minicomputer, network, and end-user environments. General controls create the environment in which the agency's application systems operate. When evaluating general controls, consider control activities in the following

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categories: agency-wide security management program, access control, application software development and change, system software control, segregation of duties, and service continuity.

Application controls relate to the specific function of an application system that supports a specific business process. Common applications include accounts payable, inventory management, and general ledger. Integrated applications combine the functions of many business processes into integrated systems sharing common databases. Application controls include data edits, separation of business functions (e.g., transaction initiation versus authorization), balancing of processing totals, transaction logging, and error reporting. When evaluating application controls, consider control activities in the following categories: Authorization control, completeness control, accuracy control, and control over integrity of processing and data files.

External threats to computer security have received considerable attention over time. However, recent research shows that insiders (employees and contractors) are now perpetrating computer attacks, more than ever. This places greater significance on having and enforcing strong controls. Best practices suggest that agencies:

- Monitor to ensure system access is disabled timely and completely following an employee termination,
- Establish formal grievance procedures as an outlet for insider complaints,
- Create a reporting process when a colleague notices or suspects concerning behavior, and
- Enforce comprehensive password policies and computer account management practices.

The factors listed below are examples of issues to be considered when evaluating general controls and application controls, but are not all-inclusive.

## Exhibit 151: General Controls

Exhibit 151: General Controls	
	Comments/Descriptions
<b>Agency-Wide Security Management Program</b>	
1. The agency periodically performs a comprehensive, high-level assessment of risks to its information systems. Consider the following:	
<ul style="list-style-type: none"><li>• Risk assessments are performed and documented regularly and whenever systems, facilities, or other conditions change.</li></ul>	



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<b>Exhibit 151: General Controls</b>	
	<b>Comments/Descriptions</b>
<ul style="list-style-type: none"><li>• Risk assessments consider data sensitivity and integrity.</li><li>• Final risk determinations and managerial approvals are documented and kept on file.</li></ul> <ol style="list-style-type: none"><li>2. The agency has developed a plan that clearly describes the agency-wide security program and policies and procedures that support it.</li><li>3. Senior management has established a structure to implement and manage the security program throughout the agency, and security responsibilities are clearly defined.</li><li>4. The agency has implemented effective security-related personnel policies.</li><li>5. The agency monitors the security program's effectiveness and makes changes as needed. Consider the following:<ul style="list-style-type: none"><li>• Management periodically assesses the appropriateness of security policies and compliance with them.</li><li>• Corrective actions are promptly and effectively implemented and tested, and they are continually monitored.</li></ul></li></ol>	
<b>Access Control</b>	
<ol style="list-style-type: none"><li>1. The agency classifies information resources according to their criticality and sensitivity. Consider the following:<ul style="list-style-type: none"><li>• Resource classifications and related criteria have been established and communicated to resource owners.</li><li>• Resource owners have classified their information resources based on the approved criteria and with regard to risk determinations and assessments and have documented those classifications.</li></ul></li><li>2. Resource owners have identified authorized users, and their access to the information has been formally authorized.</li></ol>	



<b>Exhibit 151: General Controls</b>	
	<b>Comments/Descriptions</b>
<ol style="list-style-type: none"> <li>3. The agency has established physical and logical controls to prevent or detect unauthorized access.</li> <li>4. The agency monitors information systems access, investigates apparent violations, and takes appropriate remedial and disciplinary action.</li> </ol> <p style="text-align: center;"><b>Application Software Development &amp; Change Control</b></p> <ol style="list-style-type: none"> <li>1. Information system processing features and program modifications are properly authorized.</li> <li>2. All new or revised software is thoroughly tested and approved.</li> <li>3. The agency has established procedures to ensure control of its software libraries, including labeling, access restrictions, and use of inventories and separate libraries.</li> </ol> <p style="text-align: center;"><b>System Software Control</b></p> <ol style="list-style-type: none"> <li>1. The agency limits access to system software based on job responsibilities, and access authorization is documented.</li> <li>2. Access to and uses of system software are controlled and monitored.</li> <li>3. The agency controls changes made to the system software.</li> </ol> <p style="text-align: center;"><b>Segregation of Duties</b></p> <ol style="list-style-type: none"> <li>1. Incompatible duties have been identified and policies implemented to segregate those duties.</li> <li>2. Access controls have been established to enforce segregation of duties.</li> <li>3. The agency exercises control over personnel activities through the use of formal operating procedures, supervision, and review.</li> </ol>	



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<b>Exhibit 151: General Controls</b>	
	<b>Comments/Descriptions</b>
<b>Service Continuity</b>	
<ol style="list-style-type: none"> <li>1. The criticality and sensitivity of computerized operations have been assessed and prioritized, and supporting resources have been identified.</li> <li>2. The agency has taken steps to prevent and minimize potential damage and interruption through the use of data and program backup procedures including off-site storage of backup data as well as environmental controls, staff training, and hardware maintenance and management.</li> <li>3. Management has developed and documented a comprehensive contingency plan.</li> <li>4. The agency periodically tests the contingency plan and adjusts it as appropriate.</li> </ol>	

## Exhibit 152: Information Systems Application Controls

<b>Exhibit 152: Information Systems Application Controls</b>	
<b>Authorization Control</b>	<b>Comments/Descriptions</b>
<ol style="list-style-type: none"> <li>1. Source documents are controlled and require authorization. Consider the following:               <ul style="list-style-type: none"> <li>• Access to blank source documents is restricted.</li> <li>• Source documents are pre-numbered sequentially.</li> <li>• Key source documents require authorizing signatures.</li> <li>• For batch applications systems, batch control sheets are used providing information such as date, control number, number of documents, and control totals for key fields.</li> <li>• Supervisory or independent review of data occurs before it is entered into the application system.</li> </ul> </li> <li>2. Data entry terminals have restricted access.</li> </ol>	



**Exhibit 152: Information Systems Application Controls**

3. Master files and exception reporting are used to ensure that all data processed are authorized.

**Completeness Control**

**Comments/Descriptions**

1. All authorized transactions are entered into and processed by the computer.

2. Reconciliations are performed to verify data completeness.

**Accuracy Control**

**Comments/Descriptions**

1. The agency's data entry design features contribute to data accuracy.

2. Data validation and editing are performed to identify erroneous data.

3. Erroneous data are captured, reported, investigated, and promptly corrected.

4. Output reports are reviewed to help maintain data accuracy and validity.

**Control Over Integrity of Processing and Data Files**

**Comments/Descriptions**

1. Procedures ensure that the current versions of production programs and data files are used during processing.

2. Programs include routines to verify that the proper version of the computer file is used during processing.

3. Programs include routines for checking internal file header labels before processing.

4. The application protects against concurrent file updates.

**Information Systems Control Activities Summary Section**

**General Conclusions and Actions Needed:**



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Exhibit 153 results from paring a comprehensive Internal Control Evaluation Questionnaire into a relatively simpler tool. It should be sent to all divisions of an agency. This process should help identify agency-wide issues that need to be addressed. This questionnaire should be modified for the particular agency being evaluated. This questionnaire can be modified and used to evaluate components of an ARM program.

### Exhibit 153: Simplified Internal Control Evaluation Tool

#### Exhibit 153: Simplified Internal Control Evaluation Tool

##### I. Control Environment

###### A. Integrity and Ethical Values

1. Describe the process used in your organization to ensure that new management employees sign the Code of Ethics.
2. Describe the method(s) utilized in your organization to ensure that all parties you conduct business with understand the agency's ethical values and "the way we conduct business."
3. Describe the process utilized in your organization to identify, communicate, and resolve apparent departures from the Code of Ethics.
4. How does your organization reinforce with its management team and staff the importance placed on internal controls to ensure the accuracy of records and adherence to policies and procedures (i.e., meetings, written correspondence, etc.)?
5. How do you ensure that there is not undue pressure, related to compensation or promotion, to achieve "unrealistic" performance goals/targets in your organization?

###### B. Commitment to Competence

1. Does a position description exist for every job in your organization?

Yes \_\_\_\_\_ No \_\_\_\_\_

If yes, please indicate in general terms when position descriptions were last updated. If no, please explain.

2. How does your organization ensure that all employees are aware of their responsibilities?
3. What process does your organization use to monitor the knowledge and skill level needed to adequately perform each job?
4. What specific training programs (internal an external) does your organization use to ensure employees receive the knowledge and skills necessary to perform their jobs?



**Exhibit 153: Simplified Internal Control Evaluation Tool**

**C. Organization Structure**

1. How do employees of your organization periodically evaluate organizational structure to ensure:
  - Effective/appropriate reporting relationships?
  - Necessary information flow to manage activities?
  - Adequate knowledge and experience of “key” managers?
  - Sufficient numbers of employees exist, particularly in management and supervisory capacities?
2. Please provide the most recent organizational chart(s) for your area.

**D. Human Resource Policies and Practices**

1. Do you conduct background checks prior to hiring employees?

Yes \_\_\_\_\_ No \_\_\_\_\_

Please explain.

- a. Describe in detail the specific information that is obtained.
- b. For what specific positions do you perform background checks?

2. Are all employees in your organization appraised on an annual basis?

Yes \_\_\_\_\_ No \_\_\_\_\_

If no, please explain.

- a. What method(s) does your organization use to ensure all associates are appraised at least annually?

3. Describe your organization’s criteria for selecting employees for promotion.

**II. Risk Assessment**

**A. Activity-Level Objectives**

1. Do written mission statements, strategic plans, and objectives specific to your organization exist?

Yes \_\_\_\_\_ No \_\_\_\_\_



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### Exhibit 153: Simplified Internal Control Evaluation Tool

Please explain.

- a. How often are your organization's objectives updated?
- b. Do objectives contain measurement criteria?

Yes \_\_\_\_\_ No \_\_\_\_\_

Please explain (provide examples of measurement criteria for "Yes" answers).

- c. How does your organization ensure adequate resources exist to help achieve your organization's objectives?
- d. Please provide copies of your organization's mission statement and current year objectives and measurements.

Describe how your organization's mission and objectives complement those of the agency.

2. Explain how mission statements and objectives (for both the agency and your organization) are communicated to employees in your organization.
3. Describe the process your organization uses to ensure all levels of management are involved in objective setting.
4. Describe the process your organization uses to ensure that objectives exist for each major area of your organization.

#### B. Risks

1. Describe the process used to identify major external risks in your organization such as changes in technology, competition, economic conditions, and political conditions.
  - a. Describe the steps your organization has taken to address these internal risks.
2. Describe the process used to identify major internal risks in your organization such as retention of key management employees and availability of funds for new and continuing programs.
  - a. Describe the steps your organization has taken to address these internal risks.
3. Does your organization have a business continuation plan that included contingencies in the following areas to help ensure continued business operation in the event of a disaster:

- Personnel?

Yes \_\_\_\_\_ No \_\_\_\_\_

- Facilities?



**Exhibit 153: Simplified Internal Control Evaluation Tool**

Yes \_\_\_\_\_ No \_\_\_\_\_

- Telecommunications?

Yes \_\_\_\_\_ No \_\_\_\_\_

- Systems?

Yes \_\_\_\_\_ No \_\_\_\_\_

Please explain the responses above.

- a. When was the plan developed?

- b. Is the plan periodically tested?

Yes \_\_\_\_\_ No \_\_\_\_\_

Please explain.

- c. When was the last time the plan was tested?

**C. Managing Change**

- 1. Describe the method(s) in place to anticipate, identify and react to the following:

- a. Changes in operating environment
- b. New or redesigned information systems
- c. Rapid growth
- d. New technology
- e. New services or products
- f. Agency restructuring

**III. Control Activities**

**A. Effectiveness of Policies and Procedures**

- 1. List the primary policy and procedure manuals utilized by your organization and indicate who is responsible for issuing them and keeping them current.
- 2. If your organization is responsible for maintaining the manuals, please describe the process you utilize to periodically evaluate these policies/procedures for appropriateness.
- 3. When was the last time this process was completed?



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### Exhibit 153: Simplified Internal Control Evaluation Tool

#### IV. Information and Communication

- A. Do members of your organization receive information (from both external and internal sources) that is timely, in sufficient detail, and communicated to the “right” level to carry out responsibilities effectively and efficiently?

Examples include information on:

- Your organization’s performance as compared to objectives
- Market conditions
- Economic changes
- Legislative/regulatory issues.

Yes \_\_\_\_\_

No \_\_\_\_\_

Please explain.

- B. What method(s) does your organization use to provide employees the ability to communicate information on suspected improprieties?

1. Please provide specific instances that have been identified in the last 12 months.

- C. Describe how your organization controls (limits) the distribution of operating information.

2. Describe the steps taken in your organization to secure or destroy operating information.

- D. What method(s) does your organization use to encourage associates to make suggestions on ways to improve operations?

3. How are these recommendations subsequently evaluated?

- E. Is communication between your organization and other areas of the agency adequate to enable employees to effectively discharge their responsibilities?

Yes \_\_\_\_\_

No \_\_\_\_\_

Please explain.

- F. What method(s) do you use to ensure timely and appropriate follow up by your management team on communication received directly from customers, suppliers, regulators or other external parties?

#### V. Monitoring

- A. Ongoing Monitoring

1. What method(s) does your organization use to ensure that information compiled on financial results is accurate?

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## Exhibit 153: Simplified Internal Control Evaluation Tool

- a. How does your organization periodically evaluate (ensure) the accuracy of reported financial results?
- b. Who in your organization is required to sign off on the accuracy of financial statements?
2. Other than internal auditing reviews, how do members of your organization ensure the organization's internal control environment is functioning as designed?
  - a. If deficiencies are identified, to who (at what levels) are they reported?
  - b. Please provide specific examples of any self-assessment activities used (i.e., operational review checklists, management visitations, etc.).
3. Do members of your organization periodically verify the existence of assets (i.e., inventories, equipment, forms, etc.)?

Yes \_\_\_\_\_

No \_\_\_\_\_

Please explain.

4. Do you feel internal audit activities related to your organization are effective?

Yes \_\_\_\_\_

No \_\_\_\_\_

If no, please explain.