

Control Environment Questionnaire

Internal Control Questionnaire

Question	Yes	No	N/A	<u>Remarks</u>
<p><i>INTEGRITY AND ETHICAL VALUES</i></p> <p><i>Management must convey the message that integrity and ethical values cannot be compromised, and employees must receive and understand that message. Management must continually demonstrate, through words and actions, a commitment to high ethical standards.</i></p>				
<p>1. Have appropriate entity policies regarding such matters as acceptable business practices, conflicts of interest, and codes of conduct been established and are they adequately communicated?</p>				
<p>2. Does management demonstrate the appropriate “tone at the top”, including explicit moral guidance about what is right and wrong and is this communicated in both words and deeds?</p>				
<p>3. Are everyday dealings with employees, suppliers, citizens, bondholders, students, and auditors based on honesty and fairness?</p>				
<p>4. Are appropriate remedial actions taken in response to departures from approved policies and procedures or the code of conduct, and are the actions communicated or otherwise made known throughout the university?</p>				
<p>5. Are management overrides of established controls appropriately documented and explained and are deviations from such controls investigated?</p>				
<p>6. Is management under pressure to meet unrealistic performance goals particularly for short term results (i.e. Grant \$, Student #)?</p>				
<p>7. Does previous experience with the entity indicate sufficient integrity on the part of entity personnel?</p>				

Question	Yes	No	N/A	<u>Remarks</u>
<p><i>COMMITMENT TO COMPETENCE</i></p> <p><i>Management must specify the level of competence for particular jobs and translate the desired levels of competence into requisite knowledge and skills.</i></p>				
<p>1. Have employee job descriptions, including specific duties, reporting responsibilities, and constraints been clearly established and effectively communicated to employees?</p>				
<p>2. Has management determined to an adequate extent the knowledge and skills needed to perform a particular job and is this information used in the hiring process?</p>				
<p>3. Does it appear that management, accounting, and information technology personnel are sufficiently competent to perform their assigned responsibilities?</p>				
<p>4. Does the department adequately compensate employees in order to attract qualified individuals?</p>				
<p>5. Are there clear criteria for hiring and promoting?</p>				
<p>6. Have employee performance evaluation techniques been implemented to identify incompetent or ineffective employees?</p>				
<p><i>GOVERNING BOARD OR AUDIT COMMITTEE</i></p> <p><i>An active and effective governing board, or committees thereof, provides an important oversight function and, because of management's ability to override system controls, the board plays an important role in ensuring effective internal control.</i></p>				
<p>1. Does the university have a governing board or audit committee that is appropriate for the size and nature of the entity?</p>				
<p>2. Are members of the governing board or audit committee independent from the university's management?</p>				
<p>3. Do governing board or audit committee members have sufficient knowledge, industry experience, and time to serve effectively?</p>				

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4. Does governing board composition provide sufficiently broad experience in legal, financial, and other functional areas important to the university operations (governing boards that lack expertise in a particular area can compensate by engaging consultants)?				
5. Does the governing board constructively challenge management's planned decisions (e.g., strategic initiatives and major transactions) and probe for explanations of past results (e.g., budget variances)?				
6. Does the governing board or audit committee meet regularly to set policies and objectives, review the entity's performance, and take appropriate actions, and are minutes of such meetings prepared and signed on a timely basis?				
7. Do members of the governing board or audit committee regularly receive the information they need to monitor management's objectives and strategies?				
8. Does the governing board or audit committee review the scope and activities of the internal and external auditors?				
9. Does the governing board or audit committee meet privately with the chief financial/ and or accounting officers, internal auditors, and external auditors to discuss the reasonableness of the financial reporting process, the system of internal control, significant comments or recommendations, and management's performance?				
10. Does the governing board take steps to ensure an appropriate "tone at the top"?				
11. Does the governing board or audit committee take action (e.g., issue directives to management) as a result of its findings?				

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<p><i>MANAGEMENT'S PHILOSOPHY AND OPERATING STYLE</i></p> <p><i>Management's philosophy and operating style have a significant influence on the control environment particularly when management is dominated by one or few individuals. Management's philosophy and operating style should create a positive atmosphere in which the risk of misstatement is reduced and that is conducive to the effective operation of internal control.</i></p>				
1. Has a significant or unexpected change in management recently occurred or are such changes likely to occur during the next year?				
2. Has there been excessive turnover of management or supervisory personnel?				
3. Are management and operating decisions dominated by one or a few individuals?				
4. Does management move carefully, proceeding only after carefully analyzing the risks and potential benefits of a venture? (A high risk venture for government might include undertaking new programs prior to approval of funding sources, using riskier investment types, issuing significant amounts of debt that approach or exceed the legal debt limit, etc.)				
5. Does management set university-wide objectives that include broad statements of what the entity desires to achieve that are supported by related strategic plans?				
6. Does management have mechanisms to anticipate, identify and react to events or activities that affect achieving university objectives?				
7. Is there reason to be concerned about management's overall commitment to accurate financial reporting?				
a. Does the university use controversial accounting policies?				
b. Does management tend to interpret accounting and reporting standards aggressively?				

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c. Has management been reluctant to adjust the financial statements for material misstatements?				
d. Has management been reluctant to adjust the SEFA for material misstatements?				
e. Has management failed to adequately consult with the external auditors on accounting issues?				
8. Is there reason to be concerned about management's commitment to designing and maintaining reliable accounting systems or effective internal control?				
a. Does management appear unconcerned about maintaining effective internal control to permit the preparation of reliable financial statements and federal reports?				
b. Does management appear unconcerned about maintaining accountability and safeguarding funds, property, and other assets against loss from unauthorized use or disposition?				
c. Has management's responsiveness to prior audit findings, control recommendations, and questioned costs been negative?				
d. Has the university failed to establish procedures relative to the prevention of illegal acts, including the use of directives?				
e. Has management failed to provide periodic representations concerning compliance with laws and regulations?				
f. Has management failed to respect and adhere to program compliance requirements?				
g. Does the accounting or information technology department appear to be inadequately staffed?				
h. Do resources to assist personnel to perform their duties appear to be unavailable or inadequate?				

Question	Yes	No	N/A	<u>Remarks</u>
<p><i>ORGANIZATIONAL STRUCTURE</i></p> <p><i>A university's organizational structure provides the overall framework for planning, directing, and controlling operations. The organizational structure should not be so simple that it cannot adequately monitor the entity's activities or so complex that it inhibits the flow of necessary information. As organizational structures vary, a university's controls should also vary to fit its needs and circumstances.</i></p>				
1. Is the organization of the university clearly defined in terms of lines of authority and responsibility?				
2. Are controls for authorization of transactions established at an adequately high level?				
3. Are such controls adequately adhered to?				
4. Is there adequate supervision and monitoring of decentralized operations?				
5. Is the organizational structure appropriate for the size and complexity of the entity?				
6. Has management established policies for developing and modifying accounting systems and control activities?				
7. Is management actively involved in supervising the accounting and information technology departments?				
8. Is there sufficient communication between management of the accounting and information technology departments?				
9. Are accounting and information technology departments centralized?				
10. Is there sufficient supervision and monitoring of information technology operations, especially decentralized information technology operations?				

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<p><i>ASSIGNMENT OF AUTHORITY AND RESPONSIBILITY</i></p> <p><i>The methods of assigning authority and responsibility should result in a clear understanding of reporting relationships and responsibilities established within the university.</i></p>				
<p>1. Is there a clear assignment of responsibility and delegation of authority to deal with such matters as organizational goals and objectives, operating functions, and regulatory requirements?</p>				
<p>2. Are employee job responsibilities, including specific duties, reporting relationships, and constraints clearly established and communicated to employees?</p>				
<p>3. Has management clearly communicated the scope of authority and responsibility to information technology and accounting personnel?</p>				
<p>4. Does the level of communication between the managers of the accounting and information technology departments appear to be sufficient?</p>				
<p>5. Is the documentation of information technology policies and procedures adequate?</p>				
<p><i>HUMAN RESOURCE POLICIES AND PRACTICES</i></p> <p><i>The university's human resource policies and practices should have a positive influence on the university's ability to employ sufficiently competent personnel to accomplish its goals and objectives. In considering the effect of personnel policies and procedures on the audit, they may affect the organization as a whole or particular aspects of the organization (e.g., information technology) or accounting systems (e.g., payroll vs. purchases and acquisitions). Where appropriate, identify accounts or transaction cycles that may be specifically affected by personnel issues, such as high turnover of personnel.</i></p>				
<p>1. Do personnel, including key managers, possess adequate knowledge and experience to discharge their responsibilities?</p>				

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2. Do university/departmental personnel understand the duties and procedures applicable to their jobs?				
3. Is the turnover of key personnel relatively low?				
4. Does the workload of departmental personnel appear to permit them to be mindful of controlling the quality of their work?				
5. Does previous experience with the department indicate sufficient competence on the part of departmental personnel?				
6. Has management shown a commitment to competence and ensured that personnel receive adequate training to perform their duties?				

CONTROL ENVIRONMENT EVALUATION

Conclude on the overall sufficiency of the control environment. Any risk factors identified that could result in errors, fraud, irregularities and/or illegal acts should be considered when analyzing the department's operations, and the completed questionnaire should be forwarded to Financial Controls.