

Chapter 7 Trustee Internal Control Questionnaire

Directions for the trustee: The purpose of the Internal Control Questionnaire (ICQ) is to provide the United States Trustee with an understanding of the internal controls and financial record keeping and reporting procedures implemented by the chapter 7 trustee. Please complete and return the ICQ to this office by **[insert date]**. A yes response does not require a comment (unless otherwise indicated). A no response requires a thorough comment in the space provided next to the question (additional pages may be attached, as necessary). If you have not yet encountered the situation described, please indicate how you would handle the situation if it comes up in the future. References to “you” or “trustee” refer to the chapter 7 trustee personally. References to “staff” or “employees” include independent contractors. Where possible, references to the Handbook for Chapter 7 Trustees (July 1, 2002 edition with January 1, 2005 technical amendments) are shown in parentheses. This questionnaire is available electronically, upon request, or it may be downloaded from the Program’s web site: <http://www.usdoj.gov/ust/library/chapter07/ch7lib.htm>.

I. General Information

Trustee name: _____ Other profession (if any): _____

II. System of Internal Controls

	Y = YES N = NO	Y	N
A	Segregation of Duties If you do not have any employees or independent contractors, indicate here: ____, and skip to section B.		
1	Do you actively supervise all employees and independent contractors who perform chapter 7 duties? (<i>Handbook 9-13</i>) If no, explain:		
2	a) Do you and your employees work in the same location? (<i>Handbook 9-13</i>)		
	b) If no, where else are your employees located:		
3	Briefly describe the controls in place to handle receipts, disbursements, and other matters when you or a key staff person are away from the office (for example, how do you ensure that deposits are timely made while you or the person who makes the deposits are out of town):		
4	<p>Please indicate below the individuals, besides yourself, who perform cash handling and record keeping duties for your chapter 7 trustee operation. In the matrix on the next page, use a checkmark to indicate who performs each of the listed duties. Use the first column for you and the second column for the person who is your primary assistant. If more than one person performs the same duty, check as many boxes as apply, and indicate in the Remarks column who has the primary responsibility for the task.</p> <p><u>Initials:</u> <u>Name of person:</u> <u>Initials:</u> <u>Name of person:</u></p> <p>_____ _____ _____ _____</p> <p>_____ _____ _____ _____</p>		

Segregation of Duties Matrix

	Duties	Responsible Persons					Remarks
	Initials:	Trustee					
a	Receives mail						
b	Opens mail						
c	Endorses checks and records in receipts log						
d	Posts receipts to Form 2						
e	Prepares deposits						
f	Mails or makes deposits at bank						
g	Monitors NSF checks						
h	On a test basis, compares receipts log to bank statements*						
i	Has custody of blank check stock						
j	Prepares disbursements						
k	Posts disbursements to Form 2						
l	Reviews supporting documents, authorizes disbursements, and signs checks*						
m	Mails checks						
n	Receives unopened bank statements; reviews statements & canceled checks*						
o	Opens bank accounts						
p	Closes bank accounts						
q	Authorizes bank fund transfers						
r	Prepares bank reconciliations						
s	Reviews bank reconciliations*						
t	Monitors outstanding checks and arranges stop payments						
u	Authorizes stop payment orders and cancellations*						
v	Prepares Forms 1, 2, & 3						
w	Accesses chapter 7 case mgmt. system						
x	Controls passwords & access rights in chapter 7 case mgmt. system*						

* These duties must be performed by the trustee. (Handbook 9-13 to 9-14)

	Y = YES N = NO	Y	N
B	Banking		
1	Do you or your staff open estate bank accounts as soon as funds are received? (<i>Handbook 9-1</i>) If no, comment:		
2	If your banking system allows you to open and close estate accounts on-line, have you established password or access controls such that only you or, at most, one authorized employee can electronically open and close the accounts and access or transfer funds between accounts within the same estate? (<i>Handbook 9-15</i>) If no, comment:		
3	List below all banks used to hold chapter 7 bankruptcy estate funds: (<i>For reference, see Handbook 9-1 and 9-4 to 9-7</i>)		
4	Do you or your staff obtain federal tax identification numbers before opening estate bank accounts for cases filed by individuals? (<i>Handbook 9-3</i>) If no, comment:		
5	Do you have procedures for monitoring bank balances and appropriate bond amounts, and do you promptly notify the United States Trustee when a large (i.e., \$100,000 or more) amount of funds will be received? (<i>Handbook 5-4 to 5-5, 9-4</i>) If no, comment:		
6	Are all bank statement, deposit slip, and check captions readily identifiable as pertaining to bankruptcy estate accounts, and do the words "Debtor" and "Trustee" appear, unabbreviated, in the captions? (<i>Handbook 9-4 and 9-20</i>) If no, comment:		
7	Do you ensure that all estate checks are consecutively numbered, that each account within an estate has a unique numerical check sequence, and that the manual and computer checks used within a single account also have a unique numerical sequence (i.e., no duplicate check numbers)? (<i>Handbook 9-4, 9-15, 9-21</i>) If no, comment:		
8	Do checks contain the statement, "Void if Not Cashed in 90 Days"? (<i>Handbook 9-20</i>) If no, comment:		
9	Where are the deposit slips and blank check stock kept and who has access? (<i>Handbook 9-15, 9-23</i>)		
10	Are unopened bank statements given directly to you, upon receipt, by the person who receives or picks up incoming mail? (<i>Handbook 9-13</i>) If no, comment:		

	Y = YES N = NO	Y	N
11	Do you review the bank statements and canceled checks within ten days of receipt for unauthorized deposits or withdrawals, alterations, or unusual endorsements? (<i>Handbook 9-13</i>) If no, comment:		
12	a) If a canceled check image is illegible, do you request the bank to provide a clearer image or a substitute check? (<i>Handbook 9-13</i>) If no, comment:		
	b) Have you notified the bank to not accept ACH transactions or similar debits in lieu of original canceled checks or canceled check images? (<i>Handbook 9-2</i>) If no, comment:		
	c) Do you notify the bank of errors and discrepancies within 30 days of receiving the bank statements? (<i>Handbook 9-14</i>) If no, comment:		
13	Are bank reconciliations prepared before the end of the following month, using procedures that conform to the Handbook requirements? (<i>Handbook 9-13, 9-14, 9-23 Appendix J</i>) If no, comment:		
14	Do you or your staff promptly follow-up on reconciling items detected during the bank reconciliation process? (<i>Handbook 9-3 to 9-4; 9-14 to 9-16</i>) If no, comment:		
15	a) As a fraud prevention measure, do you or your staff void checks outstanding for more than 90 days and promptly request stop payments? (<i>Handbook 9-15</i>)		
	b) Do you contact the payee, determine the correct address, if necessary, and make arrangements to promptly re-issue the check (or oversee your staff's efforts to perform these tasks)? (<i>Handbook 9-15</i>)		
	c) If a staff person handles these tasks, who is it _____, and is this person uninvolved with the initial check preparation and authorization? (<i>Handbook 9-15</i>) If no to any question, comment:		
16	Do you approve stop payment requests, and cancellations thereof, in writing either in a letter to the bank (with a copy maintained in the estate file) or by initialing and dating the computer system's transmission log? (<i>Handbook 9-16</i>) If no, comment:		
17	As a fraud prevention measure, do you monitor NSF checks until resolved or collected? (<i>Handbook 9-16</i>) If no, comment:		

	Y = YES N = NO	Y	N
18	Are service charges and income tax withholdings, if incurred, promptly reversed? (See Handbook 9-3 to 9-4 and 9-14. See Handbook 9-4 & 9-6 for an exception regarding service charges incurred in operating cases.) If no, comment:		
C	Receipts		
1	Are payers instructed to make checks payable to “Janine Doe, Trustee” or to the “Estate of _____”? (Handbook 9-16) If no, comment:		
<u>Cash Receipts Log</u>			
2	a) Do you and your staff maintain a separate cash ^{1/} receipts log for <u>all</u> incoming chapter 7 receipts (except wire transfers)?(Handbook 9-1)		
	b) Are receipts immediately entered in the log by the person who opens the mail and restrictively endorses the checks? (Handbook 9-1)		
	c) Does the log comply with the Handbook requirements set forth at page 9-1?		
	d) Do you compare the cash receipts log to bank statements on a test basis and annotate the log as evidence of your review? (Handbook 9-13) (Note: Annotations may be handwritten or electronic.) If no for any question, comment:		
<u>Handling and Deposit of Funds</u>			
3	In general, are all funds deposited to estate accounts ^{2/} as soon as possible after receipt (generally mailed or taken to the bank within two business days)? (Handbook 9-1 and 9-16 to 9-18) If no, comment:		
4	What procedures do you have in place to detect mis-deposited funds?		

^{1/}As used herein, the term “cash” may include currency, checks (including money orders), certificates of deposit, treasury bills, and other negotiable instruments.

^{2/}Under no circumstances may estate funds, including currency, be aggregated or commingled, or deposited to the trustee’s business, personal or law firm trust accounts. (See Handbook 9-1, as well as 9-16 to 9-17 (currency) and 9-17 and Appendix G (earnest monies)).

	Y = YES N = NO	Y	N
5	a) Do you deposit estate funds directly into an interest bearing account, unless circumstances, such as those described at Handbook 9-2, warrant keeping funds in a non-interest bearing account? (<i>Handbook 9-1 to 9-2</i>) If no, comment:		
	b) Are estate funds kept in an interest-bearing account until you are ready to distribute the funds to creditors, in accordance with local UST policy and the Handbook? (<i>Handbook 8-37 to 8-38</i>) If no, comment:		
	c) If an estate has substantial funds that are going to be on hand for an extended period of time, do you consider higher yield investments such as Certificates of Deposit? (<i>Handbook 9-3</i>) If no, comment:		
6	a) In those rare instances when funds cannot or should not be immediately deposited (see Handbook 9-18), is the disposition of the funds resolved within 30 days after receipt of the funds, or in cases requiring a court order for disposition, no later than 21 days after the entry of a final order? (<i>Handbook 9-18</i>) If no, comment:		
	b) For receipts not deposited to estate accounts, do you record the final disposition of the funds in the cash receipts log (e.g., date and reason turned over to debtor or another party)? (<i>Handbook 9-18</i>) If no, comment:		
7	a) Do you deposit funds received in conjunction with the sale of estate assets (e.g., earnest monies) to the regular estate account immediately upon receipt or, with UST approval, to a separate trust account established specifically for this purpose? (<i>Handbook 9-17, 9-18 and Appendix G</i>) If no, comment:		
	b) What procedures are followed if earnest monies (and similar types of funds) are not deposited to an estate account? For reference, see Handbook 9-17 to 9-18 and Appendix G.		
8	Do you have a pre-numbered, duplicate receipt book for payers who request a receipt or for debtors or payers who wish to turnover cash? (<i>Handbook 9-12, 9-16 to 9-17</i>) If no, comment:		
9	If currency is received, do you follow the procedures on pages 9-16 to 9-17 of the Handbook (e.g., convert cash to money order, etc.)? If no, comment:		

	Y = YES N = NO	Y	N
10	How do you safeguard funds until deposited or turned over to the debtor or other third party? (<i>Handbook 9-1, 9-16 to 9-18, 9-23</i>)		
11	Are copies of the incoming checks (or other instruments) kept together with the other supporting documents (e.g., deposit slips, transmittal letters, sale orders or notices, reports of sale, settlement documents) in the appropriate estate file (for asset cases) or with the cash receipts log (for non-estate funds and no-asset cases)? (<i>Handbook 9-1, 9-16 to 9-18, and 9-23 to 9-25</i>) If no, comment:		
12	Are receipts posted to Form 2 contemporaneously with the deposit of the funds? (<i>Handbook 9-7, 9-10, Forms-8</i>) If no, comment:		
D	Disbursements		
1	Are all disbursements by estate check? (<i>The Handbook provides limited exceptions for other types of disbursements. Wire transfers and cashier's checks may be used in extraordinary circumstances upon United States Trustee approval (Handbook 9-20), and the trustee's personal or business credit card may be used for electronic payment of court fees (Handbook 9-20).</i>) If no, comment:		
2	Do <u>you</u> personally sign all checks? (<i>Handbook 9-13, 9-19</i>) If no, comment:		
3	a) Is there a stamp with your signature maintained in your office?		
	b) If yes, do <u>you</u> maintain sole control of it? If no, comment:		
	c) If yes, do you ever utilize the signature stamp for signing checks? (<i>Handbook 9-19</i>) If yes, comment:		
4	Do you ensure that all checks are made out to a specific payee, and not payable to "cash," "bearer" or "currency"? (<i>Handbook 9-19</i>) If no, comment:		
5	Do you review supporting documentation (orders, invoices) for each disbursement and record your approval thereon? (<i>Handbook 9-19</i>) If no, comment:		

	Y = YES N = NO	Y	N
6	a) Do you ensure that you have a court order, when appropriate, prior to writing or signing a check? (<i>Handbook 8-40</i>)		
	b) Do you ensure that final disbursement checks are sent out only after the proposed distribution is approved by the United States Trustee and any required court orders have been entered? (<i>Handbook 8-40</i>) If no for either question, comment:		
7	Is supporting documentation for each disbursement maintained in the estate file? (<i>Handbook 9-19, 9-24 to 9-25</i>) If no, comment:		
8	Are disbursements and stop payments/voided checks posted to Form 2 contemporaneously with the transaction? (<i>Handbook 9-7, 9-10, Forms -8</i>) If no, comment:		
9	Are voided disbursement checks maintained in the appropriate estate file? (<i>Handbook 9-15</i>) If no, comment:		
10	If the blank check stock is pre-printed with the bank's logo and MICR (bank check clearing) data: a) Does the check stock contain a control number ³ that enables you and your staff to track check usage and detect gaps in the sequence? (<i>Handbook 9-4, 9-15</i>)		
	b) Do you and your staff maintain a control log that indicates the control number and bankruptcy case name and number for each check used? (<i>Handbook 9-4, 9-15</i>)		
	c) Are the printer alignment checks and checks damaged during the printing process voided and kept with the check control log? (<i>Handbook 9-15</i>) If no for any question, explain how you ensure that all checks are accounted for:		
12	Do you promptly void starter checks when no longer needed? (<i>Handbook 9-19</i>) If no, comment:		

³If the computer check stock is completely blank (i.e., no bank logo or MICR data), control numbers are not required. However, this type of check stock should still be kept in a locked or secure area, because the special paper can be used to create fraudulent checks.

E	Computer Operations The following questions pertain to your chapter 7 case management software and hardware. If you do not use a computer for chapter 7 trustee work, indicate here ___ and skip to Section F.		
Y = YES N = NO		Y	N
1	a) Is the computer stored in a limited access area that prevents unauthorized physical access? (<i>Handbook 9-20 to 9-23</i>) If no, comment:		
	b) If the computer system has separate (external) software or peripheral equipment that is necessary to use to access and/or operate the system (e.g., a diskette that works like a key to access the system or bank, or a special toner cartridge for printing checks), are these items locked up when not in use? (<i>Handbook 9-21</i>) If no, comment:		
2	a) Do you promptly install the software updates provided by your bankruptcy software vendor? (<i>Handbook 9-11</i>) If no, comment:		
	b) What software version is currently installed in your office? _____		
	c) Is the same version of the software installed on each chapter 7 computer in your office and on your laptop (if any)? If no, comment:		
3	a) Does each user have a unique password that is changed at least annually? (<i>Handbook 9-13, 9-20</i>)		
	b) Are you the only person with access and authorization to establish and maintain passwords and access rights? (<i>Handbook 9-14, 9-20</i>)		
	c) Is each employee's access limited to only those features needed to perform their assigned job duties? (<i>Handbook 9-14, 9-20</i>)		
	d) Have you: (1) disabled access for employees who no longer have chapter 7 duties or who are no longer employed and (2) changed the generic initial password used by the vendor during set-up and training? (<i>Handbook 9-13, 9-20</i>) If no for any question, comment:		

	Y = YES N = NO	Y	N
4	What controls have you implemented to discourage unauthorized access via modem (e.g., hackers) and network (e.g., non-chapter 7 employees) and how have you protected the computer system from business interruptions and external threats such as viruses, power surges, and power outages ^{4/} . (<i>Handbook 9-20 to 21</i>)		
5	Is virus protection software installed on your system, used routinely, and updated at least monthly? (<i>Handbook 9-21</i>) If no, comment:		
6	What controls do you have in place to prevent and detect modifications to, or deletions of, entries on Forms 1 and 2? (<i>Handbook 9-22 to 9-23</i>)		
7	Do your computer back up procedures comply with the Handbook requirements listed on page 9-21 of the Handbook? If no, comment:		
F	File Maintenance		
1	Are paper and electronic estate records maintained in accordance with the Handbook requirements? (<i>Handbook 9-23 to 9-25; see also 9-1, 9-7 to 9-11, 9-12 to 9-23</i>) If no, comment:		
2	a) Are estate files securely stored and not accessible to the public and unauthorized personnel? (<i>Handbook 9-20 to 9-21, 9-23</i>) If no, comment:		
	b) Are estate files logically organized, readily accessible, and up-to-date, with financial records segregated from other case administration records? (<i>Handbook 9-24</i>) If no, comment:		
3	a) Do you have a written business interruption/disaster recovery plan for the estate financial and administrative records, as well as for the computer system and data? (<i>Handbook 9-23</i>) If no, comment:		

^{4/} Although not specifically required by the Handbook, the trustee can implement a variety of safeguards to reduce the risk of data loss and damage to the computer system. Such measures might be a part of the trustee's business interruption/disaster recovery plan. Examples of such safeguards include: (1) an uninterruptible power supply (UPS) and surge protector for the electrical power and modem lines; and (2) firewalls or internal procedures to thwart hackers (e.g., turning off the computer, and/or disengaging the modem at the end of an internet session, upon completion of a data transfer session [i.e., an upload to the vendor or a download from the court], and at the end of the business day.)

	Y = YES N = NO	Y	N
	b) Is a copy of the plan stored offsite, as well as onsite, at a location known to both you and your staff? (<i>Handbook 9-23</i>) If no, comment:		
4	For asset cases, do you maintain the paper and electronic case files and accounting records for a period of at least two years after the date on which you were discharged and during which a proceeding on your bond may be commenced? (<i>Handbook 9-24</i>) If no, comment:		
5	For no-asset cases, do you retain all of the paper and electronic documentation that supports your independent investigation and determination that the case is a no-asset case for a period of at least two years after the date on which you were discharged and during which a proceeding on your bond may be commenced? (<i>Handbook 9-25</i>) If no, comment:		

I certify that the foregoing responses are accurate and correct to the best of my knowledge.

Trustee's signature: _____

Date signed: _____