

**UNITED STATES**

**COAST GUARD**

**MORALE, WELL-BEING, AND RECREATION**



**NONAPPROPRIATED FUND**

**INTERNAL CONTROL/AUDIT  
GUIDE**

**Office of Coast Guard Exchange and MWR**

**Chesapeake, VA**

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## **INTRODUCTION**

Robust internal control and security procedures within Coast Guard Morale, Well-being, and Recreation programs are essential to protect our appropriated and non-appropriated fund assets. It is Commandant policy that commands operating non-appropriated fund activities shall develop written security and loss prevention procedures.

This Guide has been put together with the intent of assisting commands to develop and implement internal control and security processes within their MWR programs. This Guide is not meant to supersede any current directive or policy in force.

The Guide is broken down into a series of checklists that will assist commands in assessing internal control and security processes within their MWR programs. Some of the checklists elicit a standard, "Yes/No" response. And some of the questions may seem to not apply to you. However, the value of these self-assessment tools may be in asking that follow-on question of "how" or "why." It is only through this type of critical self-assessment that we can improve the efficiency of our MWR programs and by doing so, make them more responsive to their mission readiness and retention responsibilities.

## INTERNAL CONTROL AND AUDIT PROGRAM

The objectives of an internal control and audit program are to determine whether:

- a. Financial reports are accurate, reliable, and fairly present the financial position of the MWR program.
- b. The unit is maintaining effective internal controls.
- c. The accounting system used is providing reliable information and recording financial transactions accurately.
- d. Adequate safeguards exist to protect cash, inventories, and other assets.
- e. Accounting procedures are in accordance with Commandant policies and accepted accounting practices.
- f. Sound management practices have been established and are being followed.

The following guide is meant to provide a template to guide self-conducted audits of MWR programs. In all likelihood, it contains more audit procedures that are necessary for any one audit. As you will see, test work is not specified because the audit program at each command must be “tailored” for the:

- a. Size of the MWR program.
- b. Number of employees in the accounting department and the realistic separation of duties.
- c. Results of any external audit.
- d. Internal control risk evident in the:
  1. Prior year’s working papers.
  2. Permanent file.
  3. Internal control questionnaire.
  4. Results of a facilities’ tour.
  5. Results of any compliance tests.
  6. Financial statement review and ratio analyses.

Do not feel compelled to perform unnecessary test work in your audit; however the rationale you used when omitting test work or setting a low scope, is mandatory. Also, if additional audit procedures are necessary, include them and cite the reasons for this addition.

The majority of the audit should be conducted after the close of the period being audited. Inventory observation should be performed after the close of business on the last day of the accounting period. Procedures used to discover or evaluate internal controls should be performed as soon as possible during the audit.

At the beginning of the audit:

- a. Review correspondence files, prior period work papers and reports, audit program including modifications for local conditions, and the permanent files.

- b. Conduct an initial briefing with the command to review the scope and objectives of the audit, records to be examined, and the activities to be audits. Discuss any assistance that may be required.
- c. Note in writing, the disposition of matters raised in prior period audit reports and management's responses to those areas.
- d. Obtain answers to the internal control questionnaire by either inquiry or observation. Note that in many small programs, there may not be adequate separation of duties.
- e. If later tests, observations, and inquiries do not support the initial answers to the questionnaire on internal controls and descriptions in the permanent file, they should be revised accordingly.
- f. Tour the facilities. Obtain an organizational chart if available. Note physical control of assets, document preparation and routing, merchandise receipt controls, safeguards over inventory, etc. Adjust your audit procedures accordingly.
- g. Review financial statements and the annual budget. Note and compare trends, ratios, and fluctuations in all accounts. Research further large discrepancies or fluctuations and document your conclusions. Again, adjust your audit, accordingly.
- h. Prepare a time line for completion of the audit.

At the end of the audit:

- a. Prepare a draft report. Note internal control weaknesses and make recommendations that are reasonable.
- b. Conduct an exit briefing with all concerned parties. Cover the results of the audit, including constructive recommendations. Document attendees.

## **BACKGROUND**

### **1. DEFINITION**

- A. Fraud is any intentional violation of directives and policies or conscious deception that adversely affects the interest of MWR. Losses resulting from fraud do not solely impact MWR assets, but include the loss of productive time, and lowers the effectiveness of the operation.

### **2. OCCURRENCE OF FRAUD**

- A. When an audit reveals evidence of possible fraud or falsification of records, the auditor shall obtain all of the facts and supporting documentation necessary to either confirm or dispel his/her suspicions. If fraud is indicated, a confidential report should be made immediately to the Commanding Officer.
- B. The initial report may be verbal and should contain all of the facts, including identification of persons involved, if determinable. A written report should be submitted as soon as possible. The Commanding Officer will decide whether to continue the audit or convene a board of investigation.

### **3. COMMON FRAUD METHODS** Some examples of the most common methods of fraud include:

- A. Failure to account for cash receipts by:
  - 1. Failure to record sales on cash register or on pre-numbered sales slips.
  - 2. Altering or voiding cash register totals or sales slip totals.
  - 3. Failure to record receipts received from sources not controlled by cash registers or pre-numbered sales slips such as income from investments, collections of accounts receivable previously charged to bad debts, collections from vending machines, and other sources of income.
  - 4. Falsifying the bank statement and bank reconciliations to cover up a shortage.
  - 5. Abstracting checks received and forging endorsements.
  - 7. Writing off good accounts receivable to bad debts and retaining the receipts when the accounts are collected.
- B. Making of fraudulent disbursements by:
  - 1. Forging approvals on petty cash vouchers, and attaching dummy invoices or legitimate invoices previously paid.
  - 2. Drawing checks in payment of fictitious invoices, forging the endorsement, and cashing the check.
  - 3. Forging checks, cashing them, and destroying the checks when they are returned by the bank. In such cases, the cash disbursements totals must be over footed or unrecorded receipts deposited in the bank.
  - 4. Re-using paid invoices of previous periods to support current disbursement vouchers by altering the date of the invoice.

## BACKGROUND

### 3. COMMON FRAUD METHODS

5. Understating purchase discounts and under footings apparently not taken and cash abstracted for the amounts of the understatement.
  6. Over footing the cash disbursement book to cover a cash shortage.
  7. Padding payrolls with dummy employees. Payroll sheets may be over footed and unclaimed wages cashed by forged endorsements.
  8. Charging personal expenses to MWR.
- C. Conversion of merchandise by:
1. Removing merchandise from premises because of inadequate physical safeguards.
  2. Checking in correct merchandise, but putting lesser amount in stock.
  3. Charging merchandise to a department, but not delivering such merchandise.
  4. Collecting deposits on returnable containers by returning such containers directly to distributor without recording credits.
  5. Over counting inventories to cover shortage.
  6. Raising quantities on requisitions after delivery of merchandise.
  7. Selling property without recording the cash received.
  8. Changing sell prices on merchandise on the sales floor without proper supporting documentation.
  9. "Sweethearting" – charging for one item, when several were actually removed from inventory.

## **INTERNAL AUDIT PROGRAM**

### **1. DEFINITION AND PURPOSE**

- A. A system of the internal audit program consists of those measures and procedures used to:
  - 1. Safeguard cash and other assets.
  - 2. Insure the accuracy and reliability of accounting records.
  - 3. Develop a system of checks and balances so the work of one person is verified by another.
  - 4. Determine adherence to prescribed regulations and managerial policies.
- B. Small activities generally do not have enough employees to attain excellent internal control. The audit tests at these activities should provide for examining many high value transactions.
- C. It is impossible to completely eliminate errors and fraud. A certain amount of mistakes are inherent in any system. Collusion may develop between employees, thereby circumventing most controls. Basic internal controls should reduce the number of errors and the possibility of fraud. This makes the rapid detection of significant losses and misuse of funds possible.

### **2. BASIC PRINCIPLES**

- A. Responsibilities of employees must be fixed and clearly defined. Accountability can be established for cash, merchandise, equipment, and supplies. The responsibility may be of a more general nature in other cases. The delegation of authority and recognition of responsibility reduces the possibility of fraud or error.
- B. Accounting and operation functions must be separated. An employee with control of accounting records should not have control of cash or merchandise.
- C. Internal checks and balances are necessary. No one person should be in complete control of a business transaction. When the work of each person is approved by another, the probability that employees will perform efficiently and accurately is greatly increased and the possibility of fraud is reduced.
- D. Physical inventories of merchandise, supplies, and fixed assets should be taken periodically by independent individuals.
- E. Collusion. Fraud can be concealed through collusion. Employees should be carefully selected and properly trained to discourage collusion. Employees should also be required to take vacations and be rotated on their jobs, if practical.
- F. A double entry system does not prevent omission, incorrect posting, or fraud and is not a substitute for internal accounting control.
- G. Operating instructions should be available in written form to prevent misunderstanding.



## **INTERNAL AUDIT PROGRAM**

### **2. BASIC PRINCIPLES**

- H. Whenever a transaction occurs, some record must be created. It may be appropriate to pre-number and control issuance and use of documents used to record the transactions.
- I. Examination by independent audit personnel helps establish a “control conscious” attitude with the MWR program. Periodic audits, surprise cash counts, and other visible forms of review are essential to a good system of internal control.

**INTERNAL CONTROLS**

Name: \_\_\_\_\_  
 Date: \_\_\_\_\_  
 Unit: \_\_\_\_\_  
 Activity: \_\_\_\_\_  
 Period Ended: \_\_\_\_\_

<b><u>QUESTION</u></b>	<b><u>YES</u></b>	<b><u>NO</u></b>	<b><u>REMARKS</u></b>
<b><u>A. GENERAL</u></b>			
1. Does the NAF have an organization chart?	_____	_____	_____
2. Are the accounting processes IAW written procedures?	_____	_____	_____
3. Does the NAF have a documented chart of accounts?	_____	_____	_____
4. Are the NAF support functions, i.e., accounting, purchasing, receiving, personnel and warehousing centralized for the unit?	_____	_____	_____
5. Is the accounting department separated from:			
(a) Purchasing?	_____	_____	_____
(b) Sales?	_____	_____	_____
(c) Payroll?	_____	_____	_____
6. Does the central NAF accounting control appear to be adequate?	_____	_____	_____
7. Are journal entries adequately explained and/or supported by adequate documentation?	_____	_____	_____
8. Are journal entries approved by an employee authorized to do so?	_____	_____	_____
9. Does the NAF use standard journal entries for the regularly recurring monthly closing entries?	_____	_____	_____
10. Are accounting records adequately safeguarded?	_____	_____	_____
11. Is access to accounting records limited to employees with designated responsibility for such records?	_____	_____	_____
12. Does the NAF Officer/Director approve the pricing plan for each activity?	_____	_____	_____

**INTERNAL CONTROLS**

Name: \_\_\_\_\_

Date: \_\_\_\_\_

Unit: \_\_\_\_\_

Activity: \_\_\_\_\_

Period Ended: \_\_\_\_\_

<b><u>QUESTION</u></b>	<b><u>YES</u></b>	<b><u>NO</u></b>	<b><u>REMARKS</u></b>
13. Are all NAF activities identified, budgeted and reported IAW prescribed policies?	_____	_____	_____
14. Are written budgets <u>used</u> for:			
(a) Operational expense and cost control?	_____	_____	_____
(b) Capital additions?	_____	_____	_____
(c) Future cash requirements?	_____	_____	_____
15. Are monthly financial statements submitted to the command to highlight inventory, expense, or sales problems?	_____	_____	_____
16. Are internal financial statements available promptly (10 days) after the closing of an accounting period?	_____	_____	_____
17. Have resale departments, where required, been established?	_____	_____	_____
18. Are sales recorded by resale departments?	_____	_____	_____
19. Are there up-to-date approved position descriptions which describe the duties and responsibilities of each position, both NAF and APF?	_____	_____	_____
20. Are employee performance evaluations completed as required?	_____	_____	_____
21. Is the work of employees on regular leave routinely assigned to others?	_____	_____	_____
22. Are advisory boards in place and being utilized?	_____	_____	_____

**INTERNAL CONTROLS**

Name: \_\_\_\_\_  
 Date: \_\_\_\_\_  
 Unit: \_\_\_\_\_  
 Activity: \_\_\_\_\_  
 Period Ended: \_\_\_\_\_

<b><u>QUESTION</u></b>	<b><u>YES</u></b>	<b><u>NO</u></b>	<b><u>REMARKS</u></b>
<b><u>B. CASH FUNDS</u></b>			
1. Are there petty cash and change funds authorized in writing?	_____	_____	_____
2. Is the responsibility for each fund vested in only one person and specified in writing by the command?	_____	_____	_____
3. Is there another employee, other than the one handling remittances from customers and other cash receipts making deposits?	_____	_____	_____
4. Is the amount of petty cash restricted so as to require reimbursement at relatively short intervals?	_____	_____	_____
5. Are cash accounts adequate?	_____	_____	_____
6. Are there limits on how much cash can be disbursed at any one time?	_____	_____	_____
7. Are surprise cash audits conducted?	_____	_____	_____
8. Are petty cash vouchers:			
(a) Prepared for each disbursement?	_____	_____	_____
(b) Supported?	_____	_____	_____
(c) Not in pencil?	_____	_____	_____
(d) Fully descriptive of the item purchased?	_____	_____	_____
(e) Clearly marked to show the amount paid?	_____	_____	_____
(f) Approved by someone other than the petty cash custodian?	_____	_____	_____
(g) Receipted by the person receiving the cash?	_____	_____	_____
(h) Satisfactorily annotated at the time of reimbursement to prevent reuse?	_____	_____	_____

**INTERNAL CONTROLS**

Name: \_\_\_\_\_  
Date: \_\_\_\_\_  
Unit: \_\_\_\_\_  
Activity: \_\_\_\_\_  
Period Ended: \_\_\_\_\_

<b><u>QUESTION</u></b>	<b><u>YES</u></b>	<b><u>NO</u></b>	<b><u>REMARKS</u></b>
9. Is part of any fund represented by cash in the bank?	_____	_____	_____
10. Does the petty cash fund custodian hold a receipt for all petty cash in the hands of other employees?	_____	_____	_____
11. Are cash and cash equivalents adequately safeguarded until deposited?	_____	_____	_____

**INTERNAL CONTROLS**

Name: \_\_\_\_\_

Date: \_\_\_\_\_

Unit: \_\_\_\_\_

Activity: \_\_\_\_\_

Period Ended: \_\_\_\_\_

<b><u>QUESTION</u></b>	<b><u>YES</u></b>	<b><u>NO</u></b>	<b><u>REMARKS</u></b>
<b><u>C. BANK ACCOUNTS</u></b>			
1. Are bank accounts reconciled promptly each month by a person other than the one making deposits?	_____	_____	_____
2. Is the reconciliation reviewed by the MWR Officer/Director?	_____	_____	_____
3. Do reconciliation procedures include:			
(a) Examination of canceled checks for authorized signatures, irregular endorsements and alterations?	_____	_____	_____
(b) Comparison of dates and amounts of daily deposits as shown on the bank statements with the cash receipts journal?	_____	_____	_____
(c) Investigation of bank transfers to determine that both sides of the transaction have been properly recorded on the books?	_____	_____	_____
4. Are checks outstanding for a considerable time periodically investigated and stop payment action initiated?	_____	_____	_____

**INTERNAL CONTROLS**

Name: \_\_\_\_\_

Date: \_\_\_\_\_

Unit: \_\_\_\_\_

Activity: \_\_\_\_\_

Period Ended: \_\_\_\_\_

<b><u>QUESTION</u></b>	<b><u>YES</u></b>	<b><u>NO</u></b>	<b><u>REMARKS</u></b>
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**D. INVESTMENTS**

- |  |       |       |       |
|--|-------|-------|-------|
| 1. If the unit is a member of the NAF Cash Management Program, are funds in a local Account managed to maximize the rate of return?                  | _____ | _____ | _____ |
| 2. If the unit is not in the NAF Cash Management Program:  |       |       |       |
| (a) Are the purchases and sales of securities authorized by the command?   | _____ | _____ | _____ |
| (b) Is a record kept of each security, including certificate number?   | _____ | _____ | _____ |
| (c) Are the security records:  |       |       |       |
| 1. Maintained in sufficient detail to afford a ready check on all essential data of securities at all times, including the prompt receipt of income? | _____ | _____ | _____ |
| 2. Kept by persons independent of those having access to the securities?   | _____ | _____ | _____ |
| (d) Are securities periodically inspected and matched with the record by internal auditors?  | _____ | _____ | _____ |
| 3. Is investible cash maximized by payment of vendor invoices on the last day of the discount period or allotted term?                               | _____ | _____ | _____ |

**INTERNAL CONTROLS**

Name: \_\_\_\_\_  
 Date: \_\_\_\_\_  
 Unit: \_\_\_\_\_  
 Activity: \_\_\_\_\_  
 Period Ended: \_\_\_\_\_

<b><u>QUESTION</u></b>	<b><u>YES</u></b>	<b><u>NO</u></b>	<b><u>REMARKS</u></b>
<b><u>E. INVENTORIES</u></b>			
1. Is a central storeroom or warehouse maintained? Is access restricted?	_____	_____	_____
2. Are goods adequately safeguarded against loss by theft and physical deterioration?	_____	_____	_____
3. Is survey and disposal of obsolete, unusable, or deteriorated stock approved by the MWR Director/Officer?	_____	_____	_____
4. Does the warehouse notify the accounting department of all receipts by means of receiving reports?	_____	_____	_____
5. Are issues/transfers made only against requisitions or issue orders?	_____	_____	_____
6. Is reasonable control maintained stationery and other supplies?	_____	_____	_____
7. Is a physical inventory taken periodically during the year?	_____	_____	_____
8. Is merchandise on hand which is not the property of MWR physically segregated and under the proper control?	_____	_____	_____
9. Do procedures for physical inventory counts provide for:			
(a) Adequate written instructions?	_____	_____	_____
(b) Adequate supervision?	_____	_____	_____
(c) Clearly marked damaged, obsolete, scrap, consigned, held for repair merchandise?	_____	_____	_____
(d) All inventory sheets being totaled, dated, and signed by the activity manager?	_____	_____	_____
(e) The rechecking of counts and descriptions (Dual counts)?	_____	_____	_____



**INTERNAL CONTROLS**

Name: \_\_\_\_\_  
Date: \_\_\_\_\_  
Unit: \_\_\_\_\_  
Activity: \_\_\_\_\_  
Period Ended: \_\_\_\_\_

<b><u>QUESTION</u></b>	<b><u>YES</u></b>	<b><u>NO</u></b>	<b><u>REMARKS</u></b>
(f) Giving proper recognition to cut-offs of shipments, receipts, and in-transit items? _____	_____	_____	_____
(g) Careful investigation of significant inventory overages and shortages? _____	_____	_____	_____

**INTERNAL CONTROLS**

Name: \_\_\_\_\_  
 Date: \_\_\_\_\_  
 Unit: \_\_\_\_\_  
 Activity: \_\_\_\_\_  
 Period Ended: \_\_\_\_\_

<b><u>QUESTION</u></b>	<b><u>YES</u></b>	<b><u>NO</u></b>	<b><u>REMARKS</u></b>
<b><u>F. ACCOUNTS RECEIVABLE</u></b>			
1. Are extensions, renewals, and write-offs authorized by the MWR Director/Officer?	_____	_____	_____
2. Are statements of open items mailed monthly by an employee who has no access to cash and who is independent of accounts receivable and billing?	_____	_____	_____
3. Does this employee retain control of the statements until mailed?	_____	_____	_____
4. Are differences reported by customers routed to this same employee for research?	_____	_____	_____
5. Are accounts with credit balances monitored closely?	_____	_____	_____
6. Are accounts aged?	_____	_____	_____
7. Are accounts that are written off:			
(a) Adequately controlled?	_____	_____	_____
(b) Periodically followed up for collection?	_____	_____	_____
8. Are credit memos for returned goods and allowances:			
(a) Pre-numbered and accounted for?	_____	_____	_____
(b) Supported by receiving and shipping date for returned goods?	_____	_____	_____
(c) Approved by a responsible official?	_____	_____	_____
9. Are direct confirmations of accounts receivable obtained periodically by internal auditors or other designated employees?	_____	_____	_____

**INTERNAL CONTROLS**

Name: \_\_\_\_\_  
Date: \_\_\_\_\_  
Unit: \_\_\_\_\_  
Activity: \_\_\_\_\_  
Period Ended: \_\_\_\_\_

<b><u>QUESTION</u></b>	<b><u>YES</u></b>	<b><u>NO</u></b>	<b><u>REMARKS</u></b>
<b><u>G. PROPERTY AND EQUIPMENT</u></b>			
1. Are detailed property records of MWR assets maintained?	_____	_____	_____
2. Is there capitalization policy for the NAF?	_____	_____	_____
3. Are fixed asset records reconciled with property on hand?	_____	_____	_____
4. Is prior authorization for property procurements obtained?	_____	_____	_____
5. Is there an effective procedure to insure that surveyed property is removed from the records and that the proceeds from salvage and sales are properly accounted for?	_____	_____	_____
6. Are property expenditures properly recorded in the accounting records?	_____	_____	_____

**INTERNAL CONTROLS**

Name: \_\_\_\_\_

Date: \_\_\_\_\_

Unit: \_\_\_\_\_

Activity: \_\_\_\_\_

Period Ended: \_\_\_\_\_

<b><u>QUESTION</u></b>	<b><u>YES</u></b>	<b><u>NO</u></b>	<b><u>REMARKS</u></b>
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**H. ACCOUNTS PAYABLE**

- |  |       |       |       |
|--|-------|-------|-------|
| 1. Are all invoices received directly from mail, opened by the employee who processes invoices for payment, and is control over the invoices established immediately upon receipt? | _____ | _____ | _____ |
| 2. Are duplicate copies of invoices clearly marked immediately upon receipt to prevent duplicate payment?  | _____ | _____ | _____ |
| 3. Does the processing of items for payment include:   |       |       |       |
| (a) Check of terms, prices, and quantities on invoices against purchase orders?  | _____ | _____ | _____ |
| (b) Check of items and quantities in invoices against receiving reports obtained directly from the receiving area?   | _____ | _____ | _____ |
| (c) Mathematical check of footings, extensions, and discounts?   | _____ | _____ | _____ |
| (d) Check of account distribution?   | _____ | _____ | _____ |
| (e) Check of freight bills against purchase orders, invoices, etc.?  | _____ | _____ | _____ |
| (f) Check of invoices which do not involve materials or supplies (fees, rentals, utilities) for approval by a designated employee?   | _____ | _____ | _____ |
| (g) A final approval for payment?  | _____ | _____ | _____ |
| (h) An indication on the vouchers that the above checks and approvals were made?   | _____ | _____ | _____ |
| 4. Is the accounts payable ledger reconciled with the general ledger control account?  | _____ | _____ | _____ |
| 5. Are statements from vendors regularly compared with the Accounts Payable ledger?  | _____ | _____ | _____ |

**INTERNAL CONTROLS**

Name: \_\_\_\_\_

Date: \_\_\_\_\_

Unit: \_\_\_\_\_

Activity: \_\_\_\_\_

Period Ended: \_\_\_\_\_

<b><u>QUESTION</u></b>	<b><u>YES</u></b>	<b><u>NO</u></b>	<b><u>REMARKS</u></b>
6. Are adjustments to accounts payable (including the writing off of debt balances) required to be supported by the approval of a designated employee?	_____	_____	_____
7. Are all available discounts taken?	_____	_____	_____
8. Are returned purchases controlled in a manner that ensures that the vendor will be charged for them?	_____	_____	_____
9. Are there appropriate expense controls for goods and services, not originating from POs such as utilities, telephones, etc.?	_____	_____	_____
10. Are unmatched purchase orders and receiving reports and unvouchered vendors' invoices periodically researched?	_____	_____	_____
11. Is an accounts payable trial balance taken and balanced to the general ledger?	_____	_____	_____

**INTERNAL CONTROLS**

Name: \_\_\_\_\_  
 Date: \_\_\_\_\_  
 Unit: \_\_\_\_\_  
 Activity: \_\_\_\_\_  
 Period Ended: \_\_\_\_\_

<b><u>QUESTION</u></b>	<b><u>YES</u></b>	<b><u>NO</u></b>	<b><u>REMARKS</u></b>
<b><u>I. SALES AND CASH RECEIPTS</u></b>			
1. Is the recording of cash sales promptly controlled via cash register or pre-numbered sales slips?	_____	_____	_____
2. When cash registers are used:			
(a) Do they produce a tape?	_____	_____	_____
(b) Are the totals of the tapes reconciled with the cash collected?	_____	_____	_____
(c) If the answer to (a) is "no," is the cash register cumulative total reconciled daily with receipts?	_____	_____	_____
(d) If tapes are rendered, are they retained?	_____	_____	_____
(e) Are the register reset keys held by the MWR Director/Officer?	_____	_____	_____
3. If sales slips are used:			
(a) Are they printed pre-numbered?	_____	_____	_____
(b) Are all numbers accounted for?	_____	_____	_____
(c) Is the total of all slips collected daily?	_____	_____	_____
4. Are cash receipts of all activities collected daily?	_____	_____	_____
5. Are all cash registers properly reported and accounted for on a daily basis?	_____	_____	_____
6. Is there a reconciliation of daily cash receipts to register tapes and other supporting documents?	_____	_____	_____
7. Are cash receipts deposited intact IAW policy?_____	_____	_____	_____
8. Is a separate register drawer/change fund used for each employee? If not, are the drawers counted or balanced at the close of an employee's shift?	_____	_____	_____

**INTERNAL CONTROLS**

Name: \_\_\_\_\_  
 Date: \_\_\_\_\_  
 Unit: \_\_\_\_\_  
 Activity: \_\_\_\_\_  
 Period Ended: \_\_\_\_\_

<b><u>QUESTION</u></b>	<b><u>YES</u></b>	<b><u>NO</u></b>	<b><u>REMARKS</u></b>
9. Are overages and shortages recorded for each activity? If they are significant, is a breakdown by employee kept to identify repeat offenders?	_____	_____	_____
10. Are all checks endorsed for deposit only to the credit of MWR immediately upon receipt?	_____	_____	_____
11. Are the duties of the employees who receive cash receipts independent of the following duties:			
(a) Posting to receivable ledgers or have any access to those ledgers?	_____	_____	_____
(b) Assisting in balancing the receivable trial balances with the general ledger or in preparing aging schedules?	_____	_____	_____
(c) Following up delinquent receivables, approving write-off of receivables as uncollectible, or maintaining control of accounts written off?	_____	_____	_____
(d) Approving customer discounts, returns, or allowances?	_____	_____	_____
(e) Preparing of recording the billings?	_____	_____	_____
(f) Keeping records of or reviewing amounts to be received from miscellaneous sources?	_____	_____	_____
(g) Posting to the general ledger?	_____	_____	_____
12. Is the office routine so arranged that the cashier is denied access to the accounts receivable ledgers and monthly statements?	_____	_____	_____

**INTERNAL CONTROLS**

Name: \_\_\_\_\_  
 Date: \_\_\_\_\_  
 Unit: \_\_\_\_\_  
 Activity: \_\_\_\_\_  
 Period Ended: \_\_\_\_\_

<b><u>QUESTION</u></b>	<b><u>YES</u></b>	<b><u>NO</u></b>	<b><u>REMARKS</u></b>
13. Mail Receipts:			
(a) Does the mail routine prohibit the delivery of unopened mail to employees having access to the accounting records?	_____	_____	_____
(b) Is a record of the money and checks received prepared by the person opening the mail?	_____	_____	_____
(c) If so, is this record given to someone other than the cashier for independent verification of daily deposits?	_____	_____	_____
(d) Is this record compared with the receipts "booked" regularly?	_____	_____	_____
14. Other Receipts:			
(a) Are receipts recorded by cash registers or other devices?	_____	_____	_____
(b) If so, are the automated totals checked independently by the accounting department?	_____	_____	_____
(c) Are sales books or receipt books used?	_____	_____	_____
(d) If so:			
(1) Are the slips or receipts pre-numbered?	_____	_____	_____
(2) Are the daily totals and numerical sequence checked independently by the accounting department?	_____	_____	_____
(3) Are unused slips safeguarded?	_____	_____	_____
15. Is there an adequate safeguard against misappropriation of cash through the recording of fictitious discounts or allowances by the cashiers?	_____	_____	_____



**INTERNAL CONTROLS**

Name: \_\_\_\_\_

Date: \_\_\_\_\_

Unit: \_\_\_\_\_

Activity: \_\_\_\_\_

Period Ended: \_\_\_\_\_

<b><u>QUESTION</u></b>	<b><u>YES</u></b>	<b><u>NO</u></b>	<b><u>REMARKS</u></b>
16. Is effective control provided over miscellaneous receipts such as interest, credits, etc., by matching with internal and external documents?	_____	_____	_____
17. Is the bank receipt of the deposit forwarded to a person who does not have access to the cash receipts and who compares it with cash receipts recorded on the books?	_____	_____	_____
18. Are all bank debit and credit memos and deposit items returned as uncollectable received directly and controlled by an employee who has no access to cash receipts?	_____	_____	_____
19. Is the cashier responsible for the cash receipts from the time they are received until they are sent to the bank?	_____	_____	_____
20. Does someone other than the cashier or accounts receivable employee take the deposits to the bank, if applicable?	_____	_____	_____
21. Are proper physical safeguards employed to protect cash and cash transactions?	_____	_____	_____

**INTERNAL CONTROLS**

Name: \_\_\_\_\_  
 Date: \_\_\_\_\_  
 Unit: \_\_\_\_\_  
 Activity: \_\_\_\_\_  
 Period Ended: \_\_\_\_\_

<b><u>QUESTION</u></b>	<b><u>YES</u></b>	<b><u>NO</u></b>	<b><u>REMARKS</u></b>
<b>J. <u>CASH DISBURSEMENTS</u></b>			
1. Are all disbursements, except those from an authorized petty cash fund, made by check or electronically?	_____	_____	_____
2. Is the practice of drawing checks to "CASH" or "BEARER" prohibited?	_____	_____	_____
3. Are supplies of blank checks kept under control during the day and kept locked up at night and during non-working hours?	_____	_____	_____
4. Do only employees authorized to prepare or supervise the preparation of checks have access to blank checks?	_____	_____	_____
5. Are all voided checks properly mutilated, retained, and filed?	_____	_____	_____
6. Are checks required to be countersigned above a certain amount?	_____	_____	_____
7. Is the signing of blank checks prohibited?	_____	_____	_____
8. Are authorized signatures identified in writing and limited to the MWR Officer/Director or employees who have no access to accounting records or to cash?	_____	_____	_____
9. If the answer to the preceding question was "no," is the indicated weakness minimized by:			
(a) Dual signatures where both signers review the supporting data?	_____	_____	_____
(b) Dual signatures where one signer is independent of the functions in the preceding question and this signer reviews the supporting data?	_____	_____	_____
10. Are checks prepared manually or is the process automated?	_____	_____	_____

**INTERNAL CONTROLS**

Name: \_\_\_\_\_  
 Date: \_\_\_\_\_  
 Unit: \_\_\_\_\_  
 Activity: \_\_\_\_\_  
 Period Ended: \_\_\_\_\_

<b><u>QUESTION</u></b>	<b><u>YES</u></b>	<b><u>NO</u></b>	<b><u>REMARKS</u></b>
11. Are all checks completely filled out before being signed?	_____	_____	_____
12. Are vouchers or other supporting documents presented together with the checks submitted for signature?	_____	_____	_____
13. Do the signers reviewed the documentation before signing checks?	_____	_____	_____
14. If checks are prepared automatically and a facsimile stamp is used, is the stamp/plate kept under effective control?	_____	_____	_____
15. Are checks mailed out without allowing them to return to the employee who drew the checks or to the accounts payable employee?	_____	_____	_____
16. Are invoices and supporting evidence properly voided or marked so as to prevent reuse after submission for payment?	_____	_____	_____

**INTERNAL CONTROLS**

Name: \_\_\_\_\_  
 Date: \_\_\_\_\_  
 Unit: \_\_\_\_\_  
 Activity: \_\_\_\_\_  
 Period Ended: \_\_\_\_\_

<b><u>QUESTION</u></b>	<b><u>YES</u></b>	<b><u>NO</u></b>	<b><u>REMARKS</u></b>
<b><u>K. PURCHASING AND RECEIVING</u></b>			
1. Are the receiving and purchasing functions entirely separated?	_____	_____	_____
2. Are receiving reports prepared in a required format?	_____	_____	_____
3. Are purchase orders:			
(a) Pre-numbered, controlled, and their use reviewed?	_____	_____	_____
(b) Required for all purchases (except those small purchases with petty cash)?	_____	_____	_____
(c) Approved by authorized personnel?	_____	_____	_____
4. Is there an adequate record of open purchase orders and commitments?	_____	_____	_____
5. Is information clearly indicated on purchase orders where partial shipments and partial payments are involved to avoid duplicate payments upon completion of the order?	_____	_____	_____
6. Are purchase prices approved by an authorized employee and are they considering reasonable prices and any other limitations?	_____	_____	_____
7. Is the quantity and condition of goods received determined at the time of receipt by someone independent of the purchasing department?	_____	_____	_____
8. Is the accounting department notified promptly of purchased goods returned to the vendor?	_____	_____	_____
9. Are unmatched receiving reports reviewed periodically and researched for proper recording?	_____	_____	_____
10. Are vendors' invoices registered immediately upon receipt?	_____	_____	_____

**INTERNAL CONTROLS**

Name: \_\_\_\_\_  
Date: \_\_\_\_\_  
Unit: \_\_\_\_\_  
Activity: \_\_\_\_\_  
Period Ended: \_\_\_\_\_

<b><u>QUESTION</u></b>	<b><u>YES</u></b>	<b><u>NO</u></b>	<b><u>REMARKS</u></b>
11. Are invoices checked against purchase orders and receiving reports (as to quantity and condition)?	_____	_____	_____
12. Do all incoming shipments pass through a central receiving point?	_____	_____	_____
13. Is a copy of the receiving report or other permanent record of receipt kept in the receiving department and a copy furnished to the accounting department?	_____	_____	_____
14. Are all incoming shipments inspected for condition and counted, weighed, or measured, if applicable?	_____	_____	_____

**INTERNAL CONTROLS**

Name: \_\_\_\_\_  
 Date: \_\_\_\_\_  
 Unit: \_\_\_\_\_  
 Activity: \_\_\_\_\_  
 Period Ended: \_\_\_\_\_

<b><u>QUESTION</u></b>	<b><u>YES</u></b>	<b><u>NO</u></b>	<b><u>REMARKS</u></b>
<b><u>L. PAYROLL</u></b>			
1. Are the persons who perform the following functions independent of each other:			
(a) Approve hours worked?	_____	_____	_____
(b) Prepare payrolls?	_____	_____	_____
(c) Distribute pay?	_____	_____	_____
(d) Maintain custody of any unclaimed wages?	_____	_____	_____
2. Are employees paid by check?	_____	_____	_____
3. If so, are payroll checks pre-numbered and accounted for?	_____	_____	_____
4. Is the hiring of new employees approved by an appointing official?	_____	_____	_____
5. Is the starting and subsequent change in pay rates approved by the MWR Officer/Director?	_____	_____	_____
6. Do all employees punch a time clock or prepare time sheets?	_____	_____	_____
7. Are there any indications that the time sheets are being prepared completely near the end of the payroll periods rather than on a day-to-day basis?	_____	_____	_____
8. If an employee prepares his/her own time sheet, is it checked and approved by the supervisor?	_____	_____	_____
9. Is there a separate personnel department that maintains complete personnel records including wage and salary data?	_____	_____	_____

**INTERNAL CONTROLS**

Name: \_\_\_\_\_  
 Date: \_\_\_\_\_  
 Unit: \_\_\_\_\_  
 Activity: \_\_\_\_\_  
 Period Ended: \_\_\_\_\_

<b><u>QUESTION</u></b>	<b><u>YES</u></b>	<b><u>NO</u></b>	<b><u>REMARKS</u></b>
10. Are the payroll registers or paychecks verified at regular intervals against the personnel files to ensure validity of all information?	_____	_____	_____
11. Are all wage rates periodically verified to the approved position descriptions, Form 50, and wage schedules?	_____	_____	_____
12. Is there an adequate check against payments for vacation, etc., in excess of amounts authorized?	_____	_____	_____
13. Is the payroll double-checked as to hours, rates, deductions, extensions, and footings, if applicable?	_____	_____	_____
14. Are signed authorizations on file for all deductions being made from employees' wages?	_____	_____	_____
15. Is the payroll bank account reconciled monthly by employees having no other connection with payroll work, if applicable?	_____	_____	_____
16. Does the reconciliation procedure, if applicable, include the comparison of the paid checks with the payroll and the scrutiny of any endorsements?	_____	_____	_____
17. Are unclaimed wages immaterial?	_____	_____	_____
18. Has the individual distributing pay checks been authorized to do so in writing?	_____	_____	_____

## INTERNAL AUDIT PROGRAM

### 1. WORKPAPERS

#### A. GENERAL

1. Audit workpapers should be prepared to document the work performed by the auditor. Organize each workpaper so it is easy to follow, and its purpose readily identifiable. Use cross referencing wherever appropriate. Photo copy existing documents or cut and paste. Use tic marks and describe work performed to keep documentation time to a minimum. Describe test work in sufficient detail so the steps can be retraced, if necessary. This is especially appropriate when discrepancies are noted – the auditors' conclusions may be challenged.
2. Overall organization, review, and planning will be assisted by the following:
  - a. Each workpaper should be properly identified at the top of the page. Include: Unit name and number, subject matter, audit date, period covered if different from audit date, name and date of work performed for every person working on or approving the workpaper, and general ledger account number and name.
3. Workpapers must be safeguarded. The workpapers should be locked in a briefcase while the auditors are at lunch and should be removed from the premises each evening. If the latter is not feasible, the files should be kept under lock and key. The key will be kept under the auditor's control.

#### B. INDEXING

1. Prepare a workpaper index and place at the front of the workpapers.
2. Use a standard lettering scheme to identify workpapers. All workpapers must be identified by a reference code in the upper right hand corner, the first letter of which will indicate the section.
3. All workpapers should be cross – indexed.
4. When more than one account exists for any one indexing section, the index letters should be numbered consecutively, for example: A-1, A-2, A-3. Additional supporting detail would be placed on workpapers labeled A-2-1, A-2-2, etc.
5. When there are several pages to a memorandum, a schedule near the upper right of the workpaper, indicates its place in the sequence i.e., “page 5 of 7.”
6. The last amount on a working paper schedule will be cross-referenced to the extended trial balance. To complete the cross-reference, enter the index letter of the schedule to the right of the account balance in the extended trial balance.

#### C. TIME BUDGET

Prepare a time budget by audit program section. Indicate actual time spent by each auditor in each section. Budget time for meetings, report preparation, travel and other necessary areas so that all time is planned.



## INTERNAL AUDIT PROGRAM

### D. WORKPAPER TECHNIQUE

1. Leave space at the end of the workpaper for journal entries and for additional information to include: source of information, purpose scope, and summary of findings.

### E. PERMANENT FILE

1. Maintain a separate permanent file of workpapers that will be useful from year-to-year. This should be reviewed prior to each audit, and updated continuously. Any documents that will assist the auditor in future audits should be kept in the permanent file. Identify each page and provide an index for referencing. Some examples of documents to include in the permanent file of workpapers are:
  - a. General organizational charts.
  - b. Loan agreements.
  - c. Leases.
  - d. Satellite agreements.
  - e. Concession and vendor agreements.
  - f. Special accounting practices.
  - g. Summarized transactions of certain accounts such as fixed assets and allowances for depreciation – such papers should be cross-referenced to the current year's working papers.
  - h. Procedural memoranda, flowcharts, and write-ups of sections of the unit's account and control systems.

## 2. AUDIT REPORT

### A. FORMAT

#### 1. General

- a. Location being audited.
- b. Names of auditors and experience summary.
- c. Dates of field work.

#### 2. Scope of audit.

- a. Time period audited.
- b. Type of audit, i.e.
  - (1) Management.
  - (2) Financial.

## INTERNAL AUDIT PROGRAM

- (3) Balance Sheet or Inventory.
  - c. Scope restrictions, if any.
- 3. General comments. Briefly state your overall opinion as to adequacy of internal controls, accuracy of financial statements, etc.
- 4. Major findings and associated recommendations.
- 5. Minor findings and recommendations.
- 6. Details of exit conference.
  - a. Date.
  - b. Attendees.
- 7. Attach revised financial report or list of adjusting entries, if significant.

**INTERNAL AUDIT/REVIEW**

<b><u>QUESTION</u></b>	<b><u>Date/Scope</u></b>	<b><u>Explanation</u></b>	<b><u>Initials</u></b>
<b>1. <u>FINANCIAL STATEMENT AND JOURNAL ENTRIES</u></b>			
A. <u>Audit objective</u>			
1. Ascertain that there is adequate maintenance and support of the general ledger.	_____		_____
B. <u>Internal control features</u>			
1. Documentation exists for journal entries and adjustments to the trial balance.	_____		_____
2. Adequate approval for entries to the general ledger.	_____		_____
3. Ensure accurate and timely posting from source documents to the general ledger.	_____		_____
C. <u>Audit procedures</u>			
1. Obtain a copy of the trial balance as of the closing date for the period.	_____		_____
2. Prepare a working trial balance.	_____		_____
3. Trace all figures to the general ledger.	_____		_____
4. Ascertain that adjusting journal entries at the close of the preceding period were properly recorded and that entries requiring reversal were properly made.	_____		_____
5. For periods not selected for detailed research, scan journal entries for unusual items to research further.	_____		_____
6. Scrutinize accounts opened and closed during the period.	_____		_____
7. Select at least 5% of the journal entries for a detailed examination. Review the supporting documentation and accurate posting to the general ledger.	_____		_____
8. For periods not selected for detailed checking and for the period following the balance sheet date, scan the journal entries for unusual items to research.	_____		_____
9. Check to see if all nonstandard journal entries are being approved by someone other than the person making the entries.	_____		_____
10. Trace all ending trial balance figures to properly indexed work papers.	_____		_____

**INTERNAL AUDIT/REVIEW**

<b><u>QUESTION</u></b>	<b><u>Date/Scope Explanation</u></b>	<b><u>Initials</u></b>
<b><u>1. FINANCIAL STATEMENT AND JOURNAL ENTRIES</u></b>		
11. Review journal entries proposed from the audit with the MWR Director/ Officer and the accountant.	_____	_____
12. Copy the finalized working trial balance and approved journal entries. Provide a copy to the MWR Director/Officer.	_____	_____
13. Indicate any additional procedures.	_____	_____

**INTERNAL AUDIT/REVIEW**

	<b><u>Date/Scope</u></b>	<b><u>Explanation</u></b>	<b><u>Initials</u></b>
<b>2. <u>CASH FUNDS AND PETTY CASH</u></b>			
A. <u>Audit objective</u>			
1. Verify that cash balances, as stated in the financial reports, properly represent cash and cash items on hand.	_____		_____
B. <u>Internal control features</u>			
1. Ascertain the propriety of cash on hand balances.	_____		_____
C. <u>Audit procedures</u>			
1. Petty cash and change funds.			
(a) Obtain or prepare a schedule of petty cash and change funds. Include the following for each separate fund:			
(1) Amount authorized in writing.	_____		_____
(2) Responsible employee.	_____		_____
(3) Location.	_____		_____
(4) Specific purpose.	_____		_____
(5) Actual amount as of the audit date.	_____		_____
(b) Reconcile the total amount of funds to the working trial balance.	_____		_____
(c) Review reports submitted by the custodian(s).	_____		_____
(d) Make a surprise cash count of all funds or randomly select several funds. Review cash funds as follows:			
(1) In your presence , have the custodian count currency and reconcile with the general ledger.	_____		_____
(2) List details (date, name, description, and amount) of vouchers, checks, collections, etc.	_____		_____
(3) Ascertain that non-cash items are properly approved and that supporting data is adequate.	_____		_____
(4) Obtain explanations of differences and exceptions from the custodian(s).	_____		_____
(5) Have a responsible official other than the custodian, review for irregular items that list if vouchers, checks, etc., included in the count.	_____		_____

**INTERNAL AUDIT/REVIEW**

<b><u>QUESTION</u></b>	<b><u>Date/Scope Explanation</u></b>	<b><u>Initials</u></b>
<b>2. <u>CASH FUNDS AND PETTY CASH</u></b>		
(6) Have the checks included in the count deposited.	_____	_____
(7) Ascertain whether any of the checks are subsequently dishonored and if so, research.	_____	_____
(8) Trace deposit to bank statement.	_____	_____
(9) If counting a cash register drawer, prove the sales balance from the prior period and current register readings and/or submitted reports.	_____	_____
(e) If surprise cash counts are not performed, or of deemed unnecessary, select several petty cash reimbursement vouchers and perform the following:		
(1) Examine the petty cash disbursement vouchers for approval, type of disbursement, signature of payee, and completeness of explanation, including dates, when appropriate.	_____	_____
(2) Review the accounting distribution of petty cash disbursements.	_____	_____
(3) Observe if receipts are authorized and approved by anyone other than the responsible employee.	_____	_____
(4) Are disbursement vouchers and attachments canceled immediately following the signing of the reimbursing check so that they cannot be reused?	_____	_____
(f) Are cash funds kept locked and under proper security conditions?	_____	_____
(g) Are monthly physical counts of cash funds made by the MWR Director/Officer of his/her designee and are shortages promptly investigated?	_____	_____
(h) Do custodians have access to other funds?	_____	_____
(i) Points for observation:		
(1) Is the cash register placed in such a manner that customers can see the "ring-up"?	_____	_____
(2) Note who has the combination to any safes.	_____	_____
(3) Is the safe portable or fixed to the floor?	_____	_____

**INTERNAL AUDIT/REVIEW**

<b><u>QUESTION</u></b>	<b><u>Date/Scope</u></b> <b><u>Explanation</u></b>	<b><u>Initials</u></b>
<b>2. <u>CASH FUNDS AND PETTY CASH</u></b>		
(4) Examine the space surrounding the safe and note anything unusual.	_____	_____
(5) Determine when changes were made to the safe combination and make note as to the last time the combination was changed.	_____	_____
(j) Indicate any additional procedures.	_____	_____

**INTERNAL AUDIT/REVIEW**

<b><u>QUESTION</u></b>	<b><u>Date/Scope</u></b>	<b><u>Explanation</u></b>	<b><u>Initials</u></b>
<b>3. <u>BANK ACCOUNTS</u></b>			
A. <u>Audit objectives</u>			
1. To ensure that proper cut-offs have been achieved for receipts and disbursements.	_____		_____
2. To ascertain that reconciling items between bank and book balances are proper.	_____		_____
3. To verify the propriety of cash balances recorded on the financial statement.	_____		_____
B. <u>Internal control features</u>			
1. Bank reconciliations are being prepared by someone without other receipts or disbursement functions and being reviewed by a management official.	_____		_____
2. Examination of canceled checks for alternations and unusual endorsements.	_____		_____
3. Review and write-off of checks outstanding for more than six months.	_____		_____
C. <u>Audit procedures</u>			
1. Cash in bank.			
(a) Obtain or prepare a copy of the reconciliation for each checking account and trace balances to the working trial balances. Obtain a listing of savings account balances by institution and tie to the trial balance. Trace deposits in transit and outstanding checks to supporting records and ascertain proper cut-off. Investigate any unusual items.	_____		_____
(b) Obtain a list of authorized signatures as per bank records from each bank in which an account is carried.	_____		_____
(c) If considered necessary, obtain bank cut-off statements, including canceled checks up to a cut-off date, approx. 2 weeks after the audit date.	_____		_____
(d) Upon receipt of bank statement and canceled checks as of a cut-off date:			
(1) Trace bank balances included on the bank reconciliation to beginning balance shown on cut-off bank statement.	_____		_____



**INTERNAL AUDIT/REVIEW**

<b><u>QUESTION</u></b>	<b><u>Date/Scope</u></b> <b><u>Explanation</u></b>	<b><u>Initials</u></b>
<b>3. <u>BANK ACCOUNTS</u></b>		
(2) Trace deposits in transit shown on the bank reconciliation to cut-off bank statement. Note that the time lag is reasonable.	_____	_____
(3) Reconcile total credits per bank statement with total receipts per cash receipt book for the cut-off period.	_____	_____
(4) Compare dates and amounts of daily deposits as shown on the cut-off bank statement with the cash receipts book.	_____	_____
(5) Compare canceled checks and debit memos returned with cut-off statement to entries in the cash disbursement book as to number, date, payee, and amount. Scrutinize canceled checks for authorized signatures, irregular endorsements, and alterations.	_____	_____
(6) Sort out canceled checks received with cut-off bank statement that were recorded in the cash disbursement book prior to the date of the bank reconciliation; ascertain that they were listed as outstanding.	_____	_____
(7) For canceled checks and debit/credit memos that were received with the cut-off bank statement and represent transfers between bank accounts, ascertain that both sides of these transactions have been properly recorded on the books as of the end of the accounting period.	_____	_____
(8) Ascertain that reconciling items other than outstanding checks and deposits in transit are proper.	_____	_____
(e) If the bank statement has already been received for the period immediately following the audit date, obtain such statements and canceled checks and proceed as follows:		
(1) Scrutinize bank statements for erasures and prove math accuracy of statements (ending balance equals opening balance plus deposits less withdrawals).	_____	_____

**INTERNAL AUDIT/REVIEW**

<b><u>QUESTION</u></b>	<b><u>Date/Scope Explanation</u></b>	<b><u>Initials</u></b>
<b>3. <u>BANK ACCOUNTS</u></b>		
(2) Run adding machine tape of canceled checks and debit memos and ascertain that the total equals total withdrawals per bank statements.	_____	_____
(3) Examine the perforation or paid date of each check to ascertain that the check was paid by the bank during the period covered by the bank statements.	_____	_____
(4) Request banks to confirm deposits during the first 5 days following the balance sheet date.	_____	_____
(f) Compare receipts per cash book with credits per bank statements for the last 5 days of the period under review and the first 5 days of the cut-off period.	_____	_____
(g) Review all stale outstanding checks with the accounting staff (checks over 6 months old). Suggest voiding checks (at least 1 year old).	_____	_____
(h) Prepare “proof of cash” for a test period. Base the length of the test period on the Internal Control Questionnaire answers and other factors such as separation of duties for cash receipts, cash disbursements, reconciliation of bank accounts, etc. Review reconciling items closely. Are all cash transactions going through the general ledger and bank?	_____	_____
(i) Determine of a test basis if cash receipts were deposited on a timely basis.	_____	_____
(j) Determine if all checks are accounted for and if voided checks are marked, “VOID” and retained.	_____	_____
(k) Request confirmation as of the audit date from all depositories with whom the MWR program did any business during the period under review.	_____	_____
(l) Upon receipt of confirmation from banks:		
(1) Check balances and confirm to reconciliations.	_____	_____
(2) Ascertain that all other matters confirmed (notes payable, assets pledged, etc.) are reflected in the records. Ascertain that all bank confirmations requested have been received.	_____	_____

**INTERNAL AUDIT/REVIEW**

<b><u>QUESTION</u></b>	<b><u>Date/Scope</u></b>	<b><u>Explanation</u></b>	<b><u>Initials</u></b>
<b>3. <u>BANK ACCOUNTS</u></b>			
(m) For a selected date prior to the audit date, ascertain that bank reconciliations are prepared on a timely basis for all bank accounts and that reconciliations agree with the general ledger.	_____		_____
(n) Tabulate transfers between bank accounts for 5 days before and 5 days after the close of the period under review. Ascertain that both sides of these transactions have been properly recorded on the books.	_____		_____
(o) Review interest earned and interest accrual by:			
(1) Tracing earnings to statements or postings to the register.	_____		_____
(2) Are current period accruals reasonable?	_____		_____
(p) Review general procedures for cash management in the MWR program to see that investment earnings are maximized. Consider:			
(1) Taking of cash discounts.	_____		_____
(2) Mailing vendor payments on the last day due.	_____		_____
(3) Keeping checking account balances low.	_____		_____
(4) Rolling CD's and other investments over promptly.	_____		_____
(q) Indicate any additional procedures.	_____		_____

**INTERNAL AUDIT/REVIEW**

<b><u>QUESTION</u></b>	<b><u>Date/Scope</u></b>	<b><u>Explanation</u></b>	<b><u>Initials</u></b>
<b>4. <u>INVESTMENTS</u></b>			
A. <u>Audit objectives</u>			
1. Verify the existence and ownership of securities.	_____		_____
2. Determine that interest income has been properly recognized.	_____		_____
B. <u>Internal control features</u>			
1. The securities show that the NAF is the owner.	_____		_____
2. Transactions are made directly, or authorized by the appropriate official.	_____		_____
3. Securities purchased are either direct obligations of the U. S. Government or are insured by a Federal Agency.	_____		_____
C. <u>Audit Procedures</u>			
1. Prepare a schedule of securities owned as of the balance sheet date. Reconcile to the general ledger and tie to the trial balance.	_____		_____
2. Examine securities on hand as close to the audit date as possible.	_____		_____
3. Request confirmation from holders of securities not on hand (or inspect such securities if considered necessary).	_____		_____
4. Check replies to requests for confirmation.	_____		_____
5. Obtain and list certificates of deposit and other investments.	_____		_____
(a) Who has custody of certificates of deposit?	_____		_____
(b) Are these documents properly safeguarded?	_____		_____
(c) Is authority to purchase or sell vested in more than one individual?	_____		_____
6. Compute the accrued interest receivable to the end of the accounting period (Annual audit only).	_____		_____
7. Reconcile interest income for the audit period.	_____		_____
8. Indicate any additional procedures.	_____		_____

**INTERNAL AUDIT/REVIEW**

<b><u>QUESTION</u></b>	<b><u>Date/Scope</u></b>	<b><u>Explanation</u></b>	<b><u>Initials</u></b>
<b>5. <u>TAKING OF INVENTORY</u></b>			
A. <u>Audit objectives</u>			
1. The balance sheet reflects merchandise, materials, and supplies on hand, in transit, in storage, or on consignment that belong to the NAF Activity.	_____	_____	_____
2. The items are valued at cost or sell price, if lower.	_____	_____	_____
3. The inventory listings are accurately compiled, extended, footed, and summarized. The totals are properly reflected in the accounts.	_____	_____	_____
4. Excess, slow-moving, obsolete, and defective items are reduced to net realizable values.	_____	_____	_____
5. Assure proper cut-off of purchases and sales.	_____	_____	_____
B. <u>Internal control features</u>			
1. That written inventory plans are distributed in advance and provide for:			
(a) Detailed instructions for each task.	_____	_____	_____
(b) Adequate supervision.	_____	_____	_____
(c) Test counts.	_____	_____	_____
(d) Segregation of goods to facilitate counts.	_____	_____	_____
(e) Proper identification of goods.	_____	_____	_____
(f) Identification of slow moving or obsolete merchandise.	_____	_____	_____
(g) Control of merchandise movement during inventory.	_____	_____	_____
(h) Control of inventory sheets and tags.	_____	_____	_____
(i) Proper cut-off procedures.	_____	_____	_____
2. Inventory summarization and pricing is double checked.	_____	_____	_____
3. Perpetual inventory records are reviewed to verify count.	_____	_____	_____

**INTERNAL AUDIT/REVIEW**

<b><u>QUESTION</u></b>	<b><u>Date/Scope</u></b> <b><u>Explanation</u></b>	<b><u>Initials</u></b>
<b>5. <u>TAKING OF INVENTORY</u></b>		
C. <u>Audit procedures</u>		
1. Determine locations and estimated value of inventory. Obtain a copy of inventory instructions and timetables to determine adequacy thereof. Schedule work accordingly. Pay particular attention to areas with a history of shortages. Ascertain that procedures are consistent with the CGES Manual.	_____	_____
2. Observe inventory and review as follows:		
(a) Tour the premises with the person responsible for the inventory taking.	_____	_____
(b) Ascertain that the inventory instructions are being followed. Review the count sheets and/or tags to be sure that the counts, descriptions, last operations, completed, unit of measure, etc., are correctly recorded.	_____	_____
(c) Determine that quality and condition of inventory has been properly recorded on count sheets.	_____	_____
(d) Make test counts and record a representative number in the work papers for later tie-in.	_____	_____
(e) Record several receiving transactions before and after inventory cut-off for future use in testing inventory cut-off.	_____	_____
(f) See that any obsolete or damaged merchandise is recognized and identified for proper evaluation later.	_____	_____
(g) Ascertain whether any cosigned goods are on hand and, if so, make test counts for later disposition.	_____	_____
(h) Where perpetual records are readily available (normally maintained on firearms and high cost items), compare test counts made and descriptions noted with perpetual records and investigate differences. Note amount and value of adjustments.	_____	_____
(i) Inspect receiving and shipping areas to determine whether items located there have been properly counted.	_____	_____
(j) Near the conclusion of the inventory, tour the area to determine that all items have been counted (and tagged) and are listed on count sheets.	_____	_____

**INTERNAL AUDIT/REVIEW**

<b><u>QUESTION</u></b>	<b><u>Date/Scope</u></b>	<b><u>Explanation</u></b>	<b><u>Initials</u></b>
<b>5. <u>TAKING OF INVENTORY</u></b>			
(k) Ascertain that all count tags or sheets have been properly controlled. Account for all unused or voided count tags or sheets on a test basis.	_____		_____
(l) Discuss with operating personnel and note any significant property and equipment additions or retirements during the period. Observe major additions. If selling or receiving is not halted during inventory taking, ascertain that the proper control is maintained over stock movements.	_____		_____
3. Write memo to summarize work done and any areas needing follow-up at a later date.	_____		_____
4. Trace test counts to final inventory listings and reconcile any difference noted.	_____		_____
5. Test-check extensions and footings on all inventory sheets.	_____		_____
6. Scan inventory compilation sheets for possible misplaced decimal points and items in erroneous inventory classifications.	_____		_____
7. Review specific prices for reasonableness including price for the unit of quantity common for that item.	_____		_____
8. Trace totals of inventory compilation sheets to summaries and foot inventory summary sheets.	_____		_____
9. Compare totals of final summaries with those recorded in the general ledger trial balances.	_____		_____
10. Price-test a representative number of items (approximately 10%) by reference to vendors invoices. Note that freight has been included in the cost price and discounts have not.	_____		_____
11. Test the reasonableness of inventory on hand at year-end by comparing current period gross profit to prior periods. Determine reasonableness of cost of sales by referenced to prior years' cost of goods sold percentages and those of other similar activities.	_____		_____
12. Compute inventory turnover.	_____		_____

**INTERNAL AUDIT/REVIEW**

<b><u>QUESTION</u></b>	<b><u>Date/Scope</u></b> <b><u>Explanation</u></b>	<b><u>Initials</u></b>
<b>5. <u>TAKING OF INVENTORY</u></b>		
13. Determine that slow-moving, obsolete, and damaged items have been priced at amounts not greater than net realizable value.	_____	_____
14. Discuss possibility of overstocked, damaged, or obsolete stock with appropriate operating personnel. Relate any items noted during the physical observation to this discussion.	_____	_____
15. Indicate any additional procedures.	_____	_____



**INTERNAL AUDIT/REVIEW**

<b><u>QUESTION</u></b>	<b><u>Date/Scope</u></b> <b><u>Explanation</u></b>	<b><u>Initials</u></b>
<b>6. <u>INVENTORIES</u></b>		
A. <u>Audit objectives</u>		
1. Determine that inventory quantities and valuation are accurate.	_____	_____
2. Determine that the physical security of inventory is adequate.	_____	_____
B. <u>Internal control features</u>		
1. Existence and maintenance of a perpetual inventory system for high cost items.	_____	_____
2. Responsibility for inventory and shrinkage control has been fixed to an appropriate individual.	_____	_____
3. Transfer and purchase order forms are pre-numbered and controlled.	_____	_____
4. Periodic reviews are made for slow moving items.	_____	_____
5. Inventory pricing and extensions are doubled checked.	_____	_____
C. <u>Audit procedures</u>		
1. If physical inventory has not been observed, perform the following:		
(a) Obtain the last physical inventory sheets, and the inventory instructions and review for compliance with the applicable guidance.	_____	_____
(b) Trace selected items from the physical inventory sheets to the purchase order file for price.	_____	_____
(c) Test computation of extensions.	_____	_____
(d) Test footings of detailed sheets and summaries.	_____	_____
(e) Trace totals to summary.		
(f) Test perpetual inventory records as follows:		
(1) Test entries on perpetual records to and from physical count records. Also check the perpetual records against current inventory quantities.	_____	_____
(2) Test arithmetical accuracy of perpetual records.	_____	_____

**INTERNAL AUDIT/REVIEW**

<b><u>QUESTION</u></b>	<b><u>Date/Scope Explanation</u></b>	<b><u>Initials</u></b>
<b>6. <u>INVENTORIES</u></b>		
(3) Scrutinize perpetual records for slow-moving and obsolete items.	_____	_____
(g) Ascertain that slow-moving, obsolete or damaged inventory has been appropriately valued at net realizable value.	_____	_____
2. Perform the following procedures whether or not the physical inventory was observed:		
(a) If the final inventory listing is as of a date other than the balance sheet date, prepare analysis of the general ledger control accounts for the intervening period and check entries to supporting records.	_____	_____
(b) Ascertain propriety of purchase cut – off:		
(1) Request principal suppliers to furnish us with a statement of unpaid invoices and material on consignment as of inventory date (or to confirm balances payable).	_____	_____
(2) Check replies from suppliers to accounts payable and consignment records and investigate differences.	_____	_____
(3) Check receiving cut – off details to accounts payable.	_____	_____
(4) For selected periods before and after inventory date, check purchase invoices to and from receiving records, and debit memos for purchase returns to shipping records.	_____	_____
(5) If inventory – in – transit items are noted in accounts payable as of inventory date, ascertain that the items have been added to the physical inventory.	_____	_____
(6) Test inventory – in – transit items included in the physical inventory to purchase invoices, receiving reports, and accounts payable.	_____	_____
(7) Review unmatched receiving reports and unvouchered purchase invoices.	_____	_____

**INTERNAL AUDIT/REVIEW**

<b><u>QUESTION</u></b>	<b><u>Date/Scope</u></b>	<b><u>Explanation</u></b>	<b><u>Initials</u></b>
<b>6. <u>INVENTORIES</u></b>			
(c) Ascertain propriety of sales cut – off:			
(1) Trace daily cash receipt recaps to the sales and cash receipts journal for two to four days prior to and after the end of the accounting period. Note proper cut – off.		_____	_____
(d) Perform an analytical review as follows:			
(1) Compute inventory turnover and gross profit percentage, compare with prior periods and explain significant changes.		_____	_____
(2) If the final inventory listing is as of a date other than the balance sheet date, compute gross profit percentages from date of final inventory to balance sheet date, compare with percentage for period preceding final inventory date, and explain significant changes.		_____	_____
(3) Investigate entries of an unusual nature made to book inventories during the period of examination.		_____	_____
(e) Indicate any additional procedures.		_____	_____

**INTERNAL AUDIT/REVIEW**

<b><u>QUESTION</u></b>	<b><u>Date/Scope</u></b> <b><u>Explanation</u></b>	<b><u>Initials</u></b>
<b>7. <u>ACCOUNTS RECEIVABLE</u></b>		
A. <u>Audit Object</u>		
1. To ascertain the propriety and collectibility of accounts receivable balances.	_____	_____
B. <u>Internal control features</u>		
1. Periodic reconciliation of subsidiary ledgers with general ledger accounts.	_____	_____
2. Periodic aging of accounts receivable.	_____	_____
3. Effective collection procedures.	_____	_____
C. <u>Audit procedures</u>		
1. Obtain aged listing of balances by individual account. Foot the listing and trace the total to the working trial balance.	_____	_____
2. Request confirmation from debtors by positive and/or negative requests. Positive confirmations are suggested for all large amounts. The accounts selected will depend upon the following factors:		
(a) Adequacy of internal control.	_____	_____
(b) Significance of receivables to the balance sheet.	_____	_____
(c) Size, nature, and number of accounts involved.	_____	_____
3. It is important that the auditor maintain proper control over the confirmation requests from the time that the selection has been made up to and including deposit of the letters into a mail depository. A record must be made of accounts selected.	_____	_____
4. Send second requests for confirmation where replies to positive requests are not received.	_____	_____
5. Reconcile all confirmation replies returned.	_____	_____
6. Investigate requests returned undelivered and replies with differences.	_____	_____
7. Perform alternative auditing procedures on all non-replies to positive confirmation requests. Alternative procedures should include the following:		

**INTERNAL AUDIT/REVIEW**

<b><u>QUESTION</u></b>	<b><u>Date/Scope</u></b> <b><u>Explanation</u></b>	<b><u>Initials</u></b>
<b>7. <u>ACCOUNTS RECEIVABLE</u></b>		
(a) Tracing of subsequent collections to the cash receipts records and to customer's remittance advices and other related records.	_____	_____
(b) Tracing of items not subsequently collected to invoice copies, evidence of customer purchase and to other proof of performance.	_____	_____
8. Summarize the results of confirmation requests. Include a brief explanation of the factors that determined the selection of accounts to be confirmed, as well as a brief analysis of the relation of the replies to the total requests made and the total receivables.	_____	_____
9. Review aging policy and test aging of balances.	_____	_____
10. Discuss collectibility of receivables with responsible official(s) and review applicable correspondence.	_____	_____
11. Investigate reason for all credit balances shown in detail listing of accounts receivable and reclassify as a liability, if significant.	_____	_____
12. Check propriety of material transactions in selected accounts for a period of approximately two weeks including balance sheet date.	_____	_____
13. For period of examination and period following balance sheet data scan general ledger control for material charge – offs and unusual transactions and investigate.	_____	_____
14. Accounts receivable – Non Sufficient Fund (NSF) checks:		
(a) Obtain a listing of returned checks.	_____	_____
(b) Verify the balance and trace the balance to the working trial balance.	_____	_____
(c) Discuss and evaluate the collection and accounting procedures with a responsible official.	_____	_____
(d) Prepare an aged analysis of this account.		
(e) Test check the correspondence and payment files to determine debtor acknowledgement of intent to pay. Determine whether prescribed procedures are being followed.	_____	_____

**INTERNAL AUDIT/REVIEW**

<b><u>QUESTION</u></b>	<b><u>Date/Scope</u></b> <b><u>Explanation</u></b>	<b><u>Initials</u></b>
<b>7. <u>ACCOUNTS RECEIVABLE</u></b>		
(f) Review write – off file to see if employees of MWR and other unit operations are included.	_____	_____
(g) Determine what continuing efforts are made after the account is written off.	_____	_____
(h) Discuss the collectibility of the receivable with a responsible official. Propose an adjustment, if considered necessary.	_____	_____
15. Indicate any additional procedures.	_____	_____

**INTERNAL AUDIT/REVIEW**

<b><u>QUESTION</u></b>	<b><u>Date/Scope</u></b> <b><u>Explanation</u></b>	<b><u>Initials</u></b>
<b>8. <u>PREPAID EXPENSES AND OTHER ASSETS</u></b>		
A. <u>Audit objectives</u>		
1. Balances represent proper charges against future operations and will be realized through future operations.	_____	_____
2. The additions are proper charges to these accounts and represent actual cost.	_____	_____
3. Amortization or writeoffs are reasonable under the circumstances and are computed on an acceptable basis consistent with prior periods.	_____	_____
B. <u>Internal control features</u> In addition to those for purchasing, to review account amortization periodically for accuracy and propriety of balances.	_____	_____
C. <u>Audit procedures</u>		
1. Obtain schedules detailing prepaid expense accounts by type. Foot and trace to working trail balance.	_____	_____
2. Review reasonableness of each account separately by:		
(a) Comparison with previous month and any year end balances.	_____	_____
(b) Review and evaluate supporting documentation of account balance.	_____	_____
(c) Ascertain that amortization rates used during period appear to be reasonable in the circumstances, and determine effect of changes in rates.	_____	_____
3. Indicate any additional procedures.	_____	_____

**INTERNAL AUDIT/REVIEW**

<b><u>QUESTION</u></b>	<b><u>Date/Scope</u></b> <b><u>Explanation</u></b>	<b><u>Initials</u></b>
<b>9. <u>FIXED ASSETS</u></b>		
A. <u>Audit objectives</u>		
1. The basis upon which the property accounts are stated is proper and has been consistently followed with respect to major categories of property which remain in service.	_____	_____
2. The additions during the period under audit are proper capital charges and represent actual physical property installed or constructed; and whether material items which should have been capitalized have been mistakenly charged to maintenance or other expense accounts.	_____	_____
3. Provision for asset replacement charges are made in accordance with requirements.	_____	_____
B. <u>Internal control features</u>		
1. Existence and maintenance of a fixed asset schedule.	_____	_____
2. Use of tags or identification numbers on MWR assets.	_____	_____
3. Periodic examination of assets to verify the accuracy of the fixed asset schedule.	_____	_____
4. Existence of a policy for distinguishing capital and expense transactions.	_____	_____
C. <u>Audit procedures</u>		
1. Obtain and test or prepare a schedule of fixed assets and accumulated depreciation (if applicable) for the period. The summary should show additions, sales and retirements. Reconcile balances with general ledger and detailed fixed asset records. Tie to trial balance.	_____	_____
2. Vouch additions to underlying purchase invoices, authorization, etc.	_____	_____
3. Examine supporting documents for surveys. See that they were properly authorized, gain or loss was recognized if appropriated, and that the amounts removed from the asset and depreciation accounts (if applicable) are accurate.	_____	_____
4. Test the provision for depreciation (if applicable) for period under review and reconcile to related expense accounts. Determine that rates are reasonable and method is consistent with the prior period.	_____	_____



**INTERNAL AUDIT/REVIEW**

<b><u>QUESTION</u></b>	<b><u>Date/Scope Explanation</u></b>	<b><u>Initials</u></b>
<b>9. <u>FIXED ASSETS</u></b>		
5. Ascertain whether or not spot checks, within the accounting period, have been made by the MWR Officer to assure that property is being properly safeguarded, used, and kept in good repair.	_____	_____
6. Ascertain whether discrepancies between the property records and physical inventories were investigated and adjustments approved.	_____	_____
7. Prepare a random sample listing of property from the actual observation. Ensure that property is properly tagged and that the records indicate proper location of the items for control and inventory convenience.	_____	_____
8. Note that property records include the date of purchase cost, location, and description of the property (including manufacturer's serial number).	_____	_____
9. Review major repair and maintenance expenses during the period. Examine supporting documents to ascertain whether such charges should properly be capitalized.	_____	_____
10. Review policy for transfers of equipment purchased by appropriated funds to MWR accounting records. Examine related accounts to ascertain whether the stated policy is being consistently followed.	_____	_____
11. Indicate any additional procedures.	_____	_____

**INTERNAL AUDIT/REVIEW**

<b><u>QUESTION</u></b>	<b><u>Date/Scope Explanation</u></b>	<b><u>Initials</u></b>
<b>10. <u>ACCOUNTS PAYABLE</u></b>		
A. <u>Audit objectives</u>		
1. The liability is recorded for all merchandise received prior to the audit date.	_____	_____
2. The offsetting charge to the accounts payable entry has been made to the proper activity and department (if applicable).	_____	_____
B. <u>Internal control features</u>		
1. Same features as purchasing.	_____	_____
2. Adequate record of receipts under open purchase orders.	_____	_____
3. Proper distribution of costs; all liabilities recorded.		
(a) Check of prices and quantities received.	_____	_____
1. Check of mathematical accuracy.	_____	_____
2. Verification of account distribution.	_____	_____
3. Approval for payment.	_____	_____
4. Effective cancellations of paid invoices.	_____	_____
(b) Periodic reconciliation of unpaid liabilities with general ledger balance.	_____	_____
4. Use and control of pre – numbered receiving reports.	_____	_____
5. Verification of invoice to purchase order and receiving report prior to approval for payment.	_____	_____
6. Effective cancellation of paid invoices.	_____	_____
C. <u>Audit procedures</u>		
1. Obtain audit listing of accounts payable as of audit date; foot and reconcile total to the general ledger control. Test listing to supporting records.	_____	_____
2. Confirm, on test or other basis, with vendors with whom the client has done business.	_____	_____
3. Reconcile confirmations to listing. Account for differences and trace to supporting records and documents.	_____	_____

**INTERNAL AUDIT/REVIEW**

<b><u>QUESTION</u></b>	<b><u>Date/Scope Explanation</u></b>	<b><u>Initials</u></b>
<b>10. <u>ACCOUNTS PAYABLE</u></b>		
4. If accounts payable confirmation was performed as of a preliminary date:		
(a) Reconcile control accounts from date of confirmation to audit date.	_____	_____
(b) Review major reconciling items on a test basis.	_____	_____
(c) Trace accounts payable listing as of balance sheet date to supporting documents.		
5. Perform alternative procedures on confirmation, non-respondents, and a portion of those accounts not confirmed. Examine the voucher for the next payment to the vendor. See that the amount accrued as a payable was proper, and that purchases were charged to the proper activity and department.	_____	_____
6. Review invoices received for the first five days after the preparation of financial statements to determine if they show any indication of receipt or acceptance prior to the statement preparation and if they should have been included as liabilities. Review and vouch large disbursements on a test basis for an additional twenty days.	_____	_____
7. Review file of unmatched receiving reports for possible unrecorded liabilities.	_____	_____
8. Determine the reasons for not settling old accounts (60 days old or over).	_____	_____
9. Investigate large, irregular or disputed items.	_____	_____
10. Review several paid invoices to determine if they are supported and stamped or marked paid to prevent duplicate payments.	_____	_____
11. Determine if the government is being paid for the cost of utilities consumed.	_____	_____
12. Note debit balances and investigate their nature and collectibility. Consider confirmation and reclassification.	_____	_____
13. Indicate any additional procedures.	_____	_____

**INTERNAL AUDIT/REVIEW**

<b><u>QUESTION</u></b>	<b><u>Date/Scope Explanation</u></b>	<b><u>Initials</u></b>
<b>11. <u>OTHER LIABILITIES</u></b>		
A. <u>Audit objectives</u>		
1. All significant liabilities existing as of the audit date are reflected in the statement at the proper amounts.	_____	_____
2. Liabilities are properly described and classified.	_____	_____
3. All borrowings have been authorized and made in compliance with established procedures.	_____	_____
B. <u>Internal control features</u>		
1. Same features as disbursements.	_____	_____
2. Periodic review of liability balances to determine propriety.	_____	_____
3. All borrowing is authorized by the Commanding Officer.	_____	_____
4. Adequate detailed records are maintained to support the general ledger.	_____	_____
C. <u>Audit procedures</u>		
1. Obtain or prepare analysis of notes payable and other debt for the year and perform the following procedures:		
(a) Determine that all terms and other details are included.	_____	_____
(b) Reconcile analysis to general ledger (balance sheet and related income statement accounts) and supporting records.	_____	_____
(c) Test computation of accrued and/or prepaid interest.	_____	_____
(d) Verify interest paid.	_____	_____
(e) Examine related transactions during the year.	_____	_____
(f) Vouch charges during the period.	_____	_____
2. Confirm as of balance sheet date with all lenders and banks with whom the MWR program has done business during the year. Reconcile confirmations with analysis obtained in step 1 above.	_____	_____
3. Determine whether or not the MWR program has compiled with provisions of its loan agreements. If not, ascertain if waivers of such noncompliance were obtained.	_____	_____

**INTERNAL AUDIT/REVIEW**

<b><u>QUESTION</u></b>	<b><u>Date/Scope</u></b> <b><u>Explanation</u></b>	<b><u>Initials</u></b>
<b>11. <u>OTHER LIABILITIES</u></b>		
4. If considered necessary, request confirmation of notes paid off during period.	_____	_____
5. Obtain and check (or prepare) schedules of (1) amounts withheld from employees, (2) accrued wages, vacation pay, etc., and (3) other accrued liabilities and reconcile with general ledger.	_____	_____
6. Ascertain propriety of amounts by such means as reviewing calculations and methods of determining accruals, referring to supporting documents, related expense accounts, etc., and comparing with payments subsequent to balance sheet date where applicable.	_____	_____
7. Compare amounts at end of period with those at end pervious period and account for significant differences.	_____	_____
8. Ascertain that the balance of remittances payable is both current and accurate.	_____	_____
9. Indicate any additional procedures.	_____	_____

**INTERNAL AUDIT/REVIEW**

<b><u>QUESTION</u></b>	<b><u>Date/Scope</u></b>	<b><u>Explanation</u></b>	<b><u>Initials</u></b>
<b>12. <u>SALES AND CASH RECEIPTS</u></b>			
A. <u>Audit objectives</u>			
1. Proper sales cut off.	_____		_____
2. Proper recording and application of cash receipts.	_____		_____
3. Existing internal control over sales and cash receipts operation effectively.	_____		_____
B. <u>Internal control features</u>			
1. Required approval of activity manager or MWR Officer for significant items, such as large markdowns.	_____		_____
2. Periodic reconciliation of subsidiary ledgers to control accounts.	_____		_____
3. Daily deposit of cash receipts.	_____		_____
4. Daily review or audit of cash receipts documentation supporting the daily deposit.	_____		_____
C. <u>Audit procedures</u>			
1. Randomly select a sample of daily cash reports covering reports from each location and dates spread throughout the period and perform the following:			
(a) Foot report.	_____		_____
(b) Does it cover only one day (some minor operations may be justified in not remitting daily reports).	_____		_____
(c) Vouch all entries on the report to supporting documentation such as register tapes, receipted deposit slips, credit/refund vouchers, etc.	_____		_____
(d) Trace daily report to monthly cash receipts journal and to subsidiary ledgers, as applicable.	_____		_____
(e) Trace deposit to monthly bank statement, note promptness of deposit.	_____		_____

**INTERNAL AUDIT/REVIEW**

<b><u>QUESTION</u></b>	<b><u>Date/Scope</u></b> <b><u>Explanation</u></b>	<b><u>Initials</u></b>
<b>12. <u>SALES AND CASH RECEIPTS</u></b>		
2. Randomly select two to four months during the period and perform the following tests:		
(a) Foot and cross – foot cash receipts journal.	_____	_____
(b) Check postings from cash receipts journal to general ledger and to other subsidiary ledgers (e.g. accounts receivable).	_____	_____
(c) Review reasonableness of distribution.	_____	_____
(d) Reconcile total credits per bank statement with total receipts per cash accounts and general ledger.	_____	_____
(e) Make note of unusual cash receipts such as sale of equipment, repayments of advances, re-deposit of large returned checks, etc.	_____	_____
(f) If initial controls are established over daily cash receipts, compare entries in such records with entries in cash receipts book.	_____	_____
3. Prepare a schedule of exceptions noted during above test and review for:		
(a) Effect on financial statements.	_____	_____
(b) Effect on internal control.	_____	_____
4. For period(s) selected for detailed checking, vouch entries in general ledger cash accounts from sources other than cash receipts book and cash disbursements book.	_____	_____
5. Obtain any mark – up schedules from the MWR Officer. Pick, on a random basis, invoice cover sheets and test mark – up by item.	_____	_____
6. Investigate and evaluate procedures in use for controlling refunds and overrings. If necessary, prepare a summary of refunds and overrings to determine if any unfavorable trend or pattern exists.	_____	_____
7. Investigate and evaluate procedures in use for controlling cash overages and cash shortages. If necessary prepare a summary of cash overages and shortages to determine if any unfavorable trend or pattern exists.	_____	_____

**INTERNAL AUDIT/REVIEW**

<b><u>QUESTION</u></b>	<b><u>Date/Scope</u></b> <b><u>Explanation</u></b>	<b><u>Initials</u></b>
<b>12. <u>SALES AND CASH RECEIPTS</u></b>		
8. Evaluate controls for returned checks:		
(a) Write a brief outline of procedure in effect or obtain copy of station order.	_____	_____
(b) Test the debits and credits from the office daily report, for returned checks and redeposits, to the sales and cash receipts journal.	_____	_____
9. Prepare summary of monthly sales in comparative form with preceding year.	_____	_____
10. Obtains explanation of material fluctuations in sales. Verify explanations as appropriate.	_____	_____
11. Indicate any additional procedures.	_____	_____



**INTERNAL AUDIT/REVIEW**

<b><u>QUESTION</u></b>	<b><u>Date/Scope</u></b> <b><u>Explanation</u></b>	<b><u>Initials</u></b>
<b>13. <u>CASH DISBURSEMENTS</u></b>		
A. <u>Audit objectives</u>		
1. Purchased goods have been received, and are for MWR purposes.	_____	_____
2. Proper distribution of costs to asset, expense, and other accounts has been made.	_____	_____
4. Costs and expenses have not been misstated by processing errors.	_____	_____
5. Cash disbursements are valid and have been properly recorded.	_____	_____
B. <u>Internal control features</u>		
1. All goods received are for MWR purposes.	_____	_____
(a) Use and control of pre-numbered, approved purchase orders.	_____	_____
(b) Independent review of prices paid.	_____	_____
(c) Adequate record of open purchase orders.	_____	_____
(d) Use and control of pre – numbered receiving report.	_____	_____
(e) Physical verification of goods received.	_____	_____
(f) Written receiving copy of purchase order or receiving report required before invoice processed.	_____	_____

**INTERNAL AUDIT/REVIEW**

<b><u>QUESTION</u></b>	<b><u>Date/Scope</u></b> <b><u>Explanation</u></b>	<b><u>Initials</u></b>
<b>13. <u>CASH DISBURSEMENTS</u></b>		
3. Cash disbursements valid.	_____	_____
(a) Use and control of pre – numbered checks.	_____	_____
(b) Properly approves voucher required for disbursement.	_____	_____
(c) Check signing machine adequately controlled.	_____	_____
(d) Dual signature required on checks when practical.	_____	_____
(e) Check signers independent of purchasing or payables function, and required to review supporting documents before signing.	_____	_____
<b>C. <u>Audit procedures</u></b>		
1. Obtain numerical file or log of purchase orders for the audit period, and make selective tests of price and terms. Keep eyes open for defects etc. which would result in a charge back.	_____	_____
(a) Test the accuracy of the purchase orders by tracing receipts and issues to the purchase order.	_____	_____
(b) Determine and test the procedures followed in ordering, receiving and recording direct deliveries, if applicable.	_____	_____
(c) Examine all return purchases made over the review period, commenting on the reason for the return, and verify that proper procedures have been followed.	_____	_____
2. Randomly select a sample of checks issued during the period (suggest a minimum of 50 checks be selected) and perform the following test:		
(a) Examine applicable invoices for:		
(1) Net payable same as amount of check.	_____	_____
(2) Accurate mathematics.		
(3) Payee same as cash disbursements journal listing.	_____	_____
(4) Amount and account distribution accurate.	_____	_____
(5) General reasonableness (not paying for buggy whips).	_____	_____

**INTERNAL AUDIT/REVIEW**

<b><u>QUESTION</u></b>	<b><u>Date/Scope Explanation</u></b>	<b><u>Initials</u></b>
<b>13. <u>CASH DISBURSEMENTS</u></b>		
(b) Examine applicable cancelled checks for payee, mount, and endorsement.	_____	_____
3. Randomly select two to four months and perform the following tests:	_____	_____
(a) Foot all columns of purchases and (if separate records) and cash disbursements journal.	_____	_____
(b) Check postings from cash disbursements journal to general ledger and other ledgers.	_____	_____
(c) Review reasonableness of distribution.	_____	_____
(d) Compare cash disbursements supported by a purchase register with the related entries in such register.	_____	_____
(e) Compare entries in the purchase register to purchase orders and receiving reports.	_____	_____
(f) Review numerical sequence of checks, purchase orders and transfer forms issued during period. Are all forms accounted for?	_____	_____
4. For period(s) not selected for detailed checking and for period following balance sheet date, scan cash disbursements book and debits on bank statements for unusual items, and investigate. Scan purchase register (if applicable) for unusual items and investigate.	_____	_____
5. Prepare a schedule of exceptions noted during above tests and review financial statements and internal control.	_____	_____
6. Review all significant exceptions with the MWR Officer.	_____	_____
7. Prepare a summary of conclusions and recommendations as a result of the audit.	_____	_____
8. Indicate any additional procedures.	_____	_____

**INTERNAL AUDIT/REVIEW**

<b><u>QUESTION</u></b>	<b><u>Date/Scope</u></b>	<b><u>Explanation</u></b>	<b><u>Initials</u></b>
<b>14. <u>PAYROLL</u></b>			
A. <u>Audit objectives</u>			
1. Ascertain that payroll costs have been properly recorded and distributed.	_____		_____
2. Verify that payroll costs incurred are for legitimate purposes.	_____		_____
3. Determine that payroll costs are not misstated due to processing errors.	_____		_____
B. <u>Internal control features</u>			
1. Separate individuals approve hours and prepare payrolls.	_____		_____
2. Adequate personnel records maintained.	_____		_____
3. Proper approval required for additions/deletions to payroll.	_____		_____
4. Payments made by direct deposit. Note any check payments.	_____		_____
5. Check signers independent of other payroll functions.	_____		_____
6. Mechanics of payroll preparation rechecked and mathematical calculations re-verified.	_____		_____
7. Records maintained of available benefits (e.g., unused vacation, sick leave, etc.).	_____		_____
8. Payroll personnel cannot add, change, or delete electronic bank data, such as account numbers.	_____		_____
C. <u>Audit procedures</u>			
1. For payrolls selected for detailed checking:			
(a) Test – check details of payrolls to most appropriate underlying data (employee files, W-4 forms deduction authorization forms, time cards, etc) as to:			
(1) Names.	_____		_____
(2) Rates (to wage schedules and personnel records).	_____		_____
(3) Time.	_____		_____

**INTERNAL AUDIT/REVIEW**

<b><u>QUESTION</u></b>	<b><u>Date/Scope</u></b>	<b><u>Explanation</u></b>	<b><u>Initials</u></b>
<b>14. <u>PAYROLL</u></b>			
(b) Test extensions and footings on payroll.	_____		_____
(c) Test distribution and trace totals to general ledger.	_____		_____
(d) Compare payroll entries with cancelled checks or payroll records. Inspect thoroughly for any discrepancies as to number date, payee and amount.	_____		_____
(e) Scrutinize cancelled checks for authorized signatures, irregular endorsements, and alterations.	_____		_____
(f) Ascertain that the payroll has been approved by the MWR Officer.	_____		_____
2. For payroll(s) not selected for detailed checking, scan payroll register for unusual items and investigate.	_____		_____
3. Play a surprise observation of one of the regular payoffs, including control of payroll records and an accounting for all employees listed. Payroll checks (or envelopes) should be intercepted after they are ready for distribution. Complete the following procedures:			
(a) Compare each amount to that shown on the payroll register.	_____		_____
(b) Verify footings.	_____		_____
(c) Verify propriety of payroll distributed prior to the completion of the payroll.	_____		_____
(d) Have an Officer familiar with the employees but having no connection with preparation or distribution of the payroll, approve one or two payrolls during visit as a check against fictitious employee pay checks.	_____		_____
(e) List and investigate all undistributed checks or envelopes. If time clocks are used, see that employees missing for payoff are not "punched-in.	_____		_____
(f) Review any undistributed checks or envelopes with company personnel as to safekeeping and reason for holding. It is particularly important that the auditor satisfy himself that the checks are for valid employees.	_____		_____
4. Investigate any extraordinary fluctuations in salaries and wages.	_____		_____

**INTERNAL AUDIT/REVIEW**

<b><u>QUESTION</u></b>	<b><u>Date/Scope</u></b> <b><u>Explanation</u></b>	<b><u>Initials</u></b>
<b>14. <u>PAYROLL</u></b>		
5. Ascertain that the number of payrolls corresponds to the number of pay periods.	_____	_____
6. Prepare a memorandum summarizing your recommendations and conclusions reached as a result of the audit.	_____	_____
7. Determine how employee bank accounts are recorded.	_____	_____
8. Indicate any additional procedures.	_____	_____

**INTERNAL AUDIT/REVIEW**

<b><u>QUESTION</u></b>	<b><u>Date/Scope</u></b>	<b><u>Explanation</u></b>	<b><u>Initials</u></b>
<b>15. <u>OTHER INCOME AND EXPENSES</u></b>			
A. <u>Audit objectives</u>			
1. Reported revenues, costs, and expenses are properly applicable to the accounting period under examination.	_____		_____
2. All material transactions of a non-operation nature have been excluded from operating income or otherwise appropriately treated.	_____		_____
3. Revenues, costs, and expenses are appropriately classified and described in the statement of income.	_____		_____
B. <u>Internal control features</u>			
1. General controls relative to management investigation and review of unusual non-recurring transactions is applicable to this area.	_____		_____
2. Internal controls of cash disbursements are applicable to this area.	_____		_____
C. <u>Audit procedures</u>			
1. The systematic tests of detailed transactions performed in connection with other procedures (including tests of cash receipts and disbursements, purchases and expenses, payrolls, sales, and tests of purchases cut-offs and sales cut-offs) should not be duplicated here but should be taken into consideration in performing the procedures called for in this section.	_____		_____
2. Obtain a monthly schedule of general and administrative expenses for the period under examination. Compare the totals in the schedule to the totals in the related general ledger accounts. Examine the major sub-classifications of expenses to determine:			
(a) Whether the amounts and the relative importance of the items have varied significantly from month to month in the current year.	_____		_____
(b) Whether the totals and ratios correspond reasonably with those for the preceding year.	_____		_____
(c) Investigate and explain any significant variations. Vouch items as appropriated.	_____		_____

**INTERNAL AUDIT/REVIEW**

<b><u>QUESTION</u></b>	<b><u>Date/Scope Explanation</u></b>	<b><u>Initials</u></b>
<b>15. <u>OTHER INCOME AND EXPENSES</u></b>		
3. Prepare a comparative schedule of revenue and revenue and expenses for the 31 January current and prior period and review any wide fluctuations with MWR personnel. Test accounts that appear unreasonable.	_____	_____
4. Prepare a carry forward analysis of important operating ratios including gross profit rates, accounts receivable and inventory turnover rates, percent of net sales for various major activities, etc. Investigate and explain significant fluctuations from year to year.	_____	_____
5. Review prior year's working paper for sources and description of non-operating income and ascertain that such income earned in the current year has been properly recorded. Consider the adequacy of accounting control procedures over significant items of other income not directly related to tangible assets such as scrap sales, contain deposits, etc.	_____	_____
6. Ascertain that revenues are being received for rental or lease contracts, concession contracts, license agreements etc., in accordance with the terms of such agreements.	_____	_____
7. Analyze any other significant miscellaneous income and expense accounts as necessary noting that all amounts due or owing appear to have been properly paid or accrued.	_____	_____
8. Indicate any additional procedures.	_____	_____



**INTERNAL AUDIT/REVIEW**

<b><u>QUESTION</u></b>	<b><u>Date/Scope</u></b> <b><u>Explanation</u></b>	<b><u>Initials</u></b>
<b>16. <u>NET WORTH</u></b>		
A. <u>Audit objectives</u>		
1. Transactions affecting net worth accounts properly recorded.	_____	_____
2. Proper matching of profit distribution to the related accounting period.	_____	_____
B. <u>Internal control features</u>		
1. Authorization of net worth transactions by the MWR Officer.	_____	_____
2. Schedule or budget of required profit distribution transactions and follow-up of these payments at the appropriate level.	_____	_____
C. <u>Audit procedures</u>		
1. Schedule all net worth entries during the year for each net worth account. Satisfy yourself regarding the propriety of each transaction.	_____	_____
2. Ascertain that any Provision for Asset Replacement entry was made in accordance with regulations, and that only appropriate use is being made of these funds. Inquire whether a long range plan of asset replacement has been made and if reserves will be adequate to meet project needs.	_____	_____
3. Are sufficient earnings being retained to provide for expansion, asset replacement, building new structures, etc.	_____	_____
4. Indicate any additional procedures.	_____	_____

**INTERNAL AUDIT/REVIEW**

<b><u>QUESTION</u></b>	<b><u>Date/Scope</u></b>	<b><u>Explanation</u></b>	<b><u>Initials</u></b>
<b>17. <u>ACTIVITY AUDIT PROCEDURES</u></b>			
A. <u>Audit objectives</u>			
1. See that specific control and accounting procedures related to each type of activity are being followed.	_____		_____
B. <u>Internal control features</u>			
1. Retail.			
(a) Using perpetual inventory system for high value items (see inventory section of audit program).	_____		_____
(b) Maintaining and reviewing comparative sales, by department data.	_____		_____
(c) Taking inventory by department.	_____		_____
(d) Reviewing sales, purchases, gross profit (if applicable) and other departmental information to help identify and reduce shrinkage.	_____		_____
2. Food and bar operations.			
(a) Portion controls.	_____		_____
(b) Frequent inventories, if possible, holding the accountability for inventory levels to one person.	_____		_____
(c) Documentation and stores requisition.	_____		_____
3. Vending, concessions.			
(a) Adherence to written agreement with machine owners.	_____		_____
(b) Control over access to vending equipment.	_____		_____

**INTERNAL AUDIT/REVIEW**

<b><u>QUESTION</u></b>	<b><u>Date/Scope Explanation</u></b>	<b><u>Initials</u></b>
<b>17. <u>ACTIVITY AUDIT PROCEDURES</u></b>		
C. <u>Audit procedures</u>		
1. Retail:		
(a) The internal auditor should make an independent appraisal of the accounting, financial, and other managerial controls practiced by the activity in all phases of the retail operation including procurement, warehousing, transfer to other activities and through the ultimate sale. Note and test any deficiencies observed.	_____	_____
(b) Evaluate inventory position in relation to sales trends and plan, noting any unusual changes.	_____	_____
(c) By reference to comparative reports (preferably monthly) of this type of retail activity, make evaluations of this activity as it relates to others in terms of:	_____	_____
(1) Retail sales percentages by department.	_____	_____
(2) Operating profit and percentage.	_____	_____
(3) Markdowns and markdown percentages.	_____	_____
(4) Stock-turns and stock-to-sales ratios.	_____	_____
(5) Gross profits, by department, if available.	_____	_____
(d) Review the results of the last physical inventory regarding:		
(1) The amount of the shortages and its percentage to departmental sales. If shortages cannot be calculated directly, compare the "expected" gross profit to actual be department, if possible. Expected" gross profit can be determined by knowing the approximate markups of the product lines and their percentage of total sales.	_____	_____
(2) The aging of the inventory.	_____	_____
(e) List or describe deficiencies in forms and controls used for:		
(1) Warehoused items.	_____	_____
(2) Non-warehoused items (direct issues).	_____	_____

**INTERNAL AUDIT/REVIEW**

<b><u>QUESTION</u></b>	<b><u>Date/Scope Explanation</u></b>	<b><u>Initials</u></b>
<b>17. <u>ACTIVITY AUDIT PROCEDURES</u></b>		
(3) Direct deliveries.	_____	_____
(4) High-unit value items.	_____	_____
(5) Transfers among the various retail activities.	_____	_____
(6) Returns to vendors.	_____	_____
(f) Review and evaluate the physical materials, handling flow, and related forms and controls with the auditor-in-charge.		
(1) Observe general housekeeping and security precautions – doors locked, floor clean, etc.	_____	_____
(2) Observe receiving, marking, storage, and shipping procedures. Merchandise actually counted. Tickets controlled. Merchandise transferred.	_____	_____
(3) List selected merchandise over six months old and seasonal merchandise and discuss markdown plans with exchange merchandise manager.	_____	_____
(4) List select merchandise with price changes and trace to price change records.	_____	_____
(g) Indicate any additional procedures.	_____	_____
2. Food and bar operations.		
(a) Matters relating to sanitary conditions, quality of food displays, physical lay-out, and quality of service to customers are matters for inspection personnel and will not be reported by the internal auditor.	_____	_____
(b) Evaluate controls over stores requisition, including control of pre-numbered requisition forms.	_____	_____
(c) Examine and test perpetual stores records. Note whether frequent physical inventories are being used to reduce shrinkage. Note any deficiencies in controls over goods.	_____	_____
(d) Compare “expected” gross profit to actual for the operation. Note substantial deviations and consider additional audit procedures.	_____	_____

**INTERNAL AUDIT/REVIEW**

<b><u>QUESTION</u></b>	<b><u>Date/Scope</u></b> <b><u>Explanation</u></b>	<b><u>Initials</u></b>
<b>17. <u>ACTIVITY AUDIT PROCEDURES</u></b>		
(e) Evaluate monthly (if available) operating results for trends in sales volume, operating profit, markdowns, stock turnover, stock-to-sales ratios, expense, and gross profit.	_____	_____
(f) Examine and test cost control forms.	_____	_____
(g) Evaluate inventory position relative to budget and sales. Note substantial deviations.	_____	_____
(h) Indicate any additional procedures.	_____	_____
<b>3. Vending.</b>		
(a) Review contracts and related correspondence being aware of authority, termination dates, renewal dates, settlement dates, collection procedures, amount due the unit, attachments and amendments to the contract, change funds, counters, and whatever else that is pertinent to this phase of the audit.	_____	_____
(b) Review the vending operation from records available in order to justify any deviation from the below audit steps.	_____	_____
(c) Obtain the master list of vending machines and physically inspect the machines. Trace them to the master list. Determine that all machines sighted are on the list and that no machines are on the list that have not been seen. Verify that the machine number and location is in agreement with the list.	_____	_____
(d) Summarize the vending receipts from the office daily report and sales and cash receipts journal, to the vending cash collection slip (or the contractor's form used in lieu of the cash collection slip).	_____	_____
(e) Trace the receipts checking for timeliness, and the related information such as meter readings, inventory count or units sold, to the office daily report.	_____	_____
(f) Indicate any additional procedures.	_____	_____

**INTERNAL AUDIT/REVIEW**

<b><u>QUESTION</u></b>	<b><u>Date/Scope</u></b> <b><u>Explanation</u></b>	<b><u>Initials</u></b>
<b>18. <u>REVIEW OF COMPUTER SYSTEMS</u></b>		
A. <u>Audit objectives</u>		
1. Determine adequacy of controls over computer systems processing.	_____	_____
B. <u>Internal control features</u>		
1. Organization of processing function to maintain proper physical control of input and output, files, processing, etc.	_____	_____
2. Segregation of duties within accounting so that Information System (IS) personnel do not:		
(a) Initiate/authorize transactions.	_____	_____
(b) Make initial entry of transactions.	_____	_____
(c) Make changes to master files.	_____	_____
(d) Correct errors that arise outside the IS department.	_____	_____
3. Employees are required to take consecutive vacation or is there a program of rotating duties.	_____	_____
4. Adequate security over physical assets.		
(a) Insurance coverage.	_____	_____
(b) Formal disaster plan including a tested alternate location.	_____	_____
(c) Off site back-up files.	_____	_____
(d) Security at the building and data center perimeters limit access to only authorized individuals.	_____	_____
(e) Protection from fire and water damage.	_____	_____
5. Documented operating procedures including operator and user manuals.	_____	_____
6. Adequate review and testing of system enhancement and modifications including approval by a higher authority.	_____	_____
7. Adherence to regular maintenance schedules.	_____	_____
8. Access to facilities, programs, data and the system documentation is limited to authorized personnel that need access to meet their responsibilities.	_____	_____

**INTERNAL AUDIT/REVIEW**

<b><u>QUESTION</u></b>	<b><u>Date/Scope Explanation</u></b>	<b><u>Initials</u></b>
<b>18. <u>REVIEW OF COMPUTER SYSTEMS</u></b>		
9. Input controls.		
(a) Use of control totals originating outside the IS operation.	_____	_____
(b) Key punch verification.	_____	_____
(c) Edit, limit, or other tests for completeness or reasonability of data.	_____	_____
(d) Identification and proper processing of rejected transactions.	_____	_____
10. Processing controls.		
(a) Edit routines to ensure that data is accurate, complete and reasonable.	_____	_____
(1) Verify data against a file or table.	_____	_____
(2) Check budgets.	_____	_____
(3) Limit test.	_____	_____
(4) Missing data or sequence checks.	_____	_____
(5) Traditional controls over source data, such as pre-numbered forms, logs, etc.	_____	_____
(b) Proper labeling of files, externally and internally.	_____	_____
11. Output controls:		
(a) Comparison with input control to tables.	_____	_____
(b) Scanning output for unusual items.	_____	_____
(c) Delivery of reports only to appropriate individuals.	_____	_____
12. Adequate documentation, including System flowchart, program logic flowcharts, program listings, record layouts, file layouts, table codes and their meaning operator and user instructions, revision log, and use of time logs.	_____	_____
13. File controls:		
(a) Adequate retention.	_____	_____

**INTERNAL AUDIT/REVIEW**

<b><u>QUESTION</u></b>	<b><u>Date/Scope</u></b>	<b><u>Explanation</u></b>	<b><u>Initials</u></b>
<b>18. <u>REVIEW OF COMPUTER SYSTEMS</u></b>			
(b) On and off site back-up.	_____	_____	_____
(c) Protection against physical damage.	_____	_____	_____
(d) Secured location with limited access.	_____	_____	_____
14. Control totals should be maintained on all important files and updated after each revision.	_____	_____	_____
15. Maintenance of adequate audit trail.	_____	_____	_____
<b>B. <u>Audit procedures</u></b>			
1. Review current system and planned systems or revisions for adequate control features.	_____	_____	_____
2. Determine compliance with existing policies.	_____	_____	_____
3. By observation and/or test work, see that the control features and policies described above are in effect.	_____	_____	_____
4. Indicate any additional procedures.	_____	_____	_____