

## **DRAFT**

### **Appendix C: Financial Control Questionnaire (Entity)**

This questionnaire should not be viewed as a limitation on the questions to be asked, but as general questions to aid in understanding the controls. The auditor should collect and review relevant documentation supporting the entity official's answers to these questions. Auditor judgment should be used to determine: 1) whether questions should be added or deleted; 2) appropriate follow-up questions; and 3) what supporting documentation to obtain.

#### ***Accounting Controls/Eligible Costs***

Is there an organization chart that sets forth the lines of responsibility? Are the duties for employees clearly defined? Is there adequate segregation of duties? (obtain relevant documentation)

Are there written procedures covering the accounting system, including a chart of accounts? Do the accounting procedures cover who is authorized to approve financial transactions? Do the accounting procedures require periodic reconciliations of accounts receivable and accounts payable with control accounts? Are supervisory approvals required? (obtain relevant documentation)

Does the accounting system provide for identifying receipts and expenditures of program funds separately for each program year? Does the accounting system provide for accumulating and recording expenditures by activity/project and cost category shown in the annual budget?

Does the accounting system provide for accrual of income and expenditures? Does entity management periodically review accounting summaries to compare budgeted and actual amounts spent?

Does the accounting system provide the financial data necessary for the preparation of HUD reports in a timely manner? (Late submissions of CAPERs may indicate a weakness in this area.).

Are journal entries approved by supervisory personnel and are the entries properly explained and supported?

Have the required audits of annual operations occurred in a timely manner?

Are accounting records and valuables secured in limited access areas?

Are there adequate controls over the use of computer systems? The controls should ensure the security of the database and provide quality control procedures to ensure that the system produces useable and accurate information.

What accounting system does the entity use? Is the auditor aware of this? *The auditor should consider whether the information can be quickly and effectively evaluated with CAATTs.*

Do the accounting records identify the costs associated with the activity/project separate from other non-related costs, including costs associated with other federal funds? Do they identify funds received and expended? Are expenses detailed by eligible activity type? Are line item budgets established?

What direct costs is the entity charging to the activity/project?

Are salary costs charged to the activity/project? How does the entity charge the activity/project for the salaries of employees who do not spend all their time on the activity/project?

Is the entity charging any indirect costs to the activity/project? If so, does it have an indirect cost allocation plan or an indirect cost rate? How was the plan established?

What is the entity's purchase procedures? Is there adequate separation of duties? How are purchases initiated? Who is responsible for approving purchases, verifying delivery, approving payments and issuing checks? Who is responsible for recording purchases in the accounting records?

Who is responsible for determining which funding source should be charged? Is this person familiar with Federal cost principles (A-87 or A-122)?

Does the entity maintain a fixed assets ledger, identifying nondisposable personal and real property purchased with activity/project funds?

What are the entity's draw down procedures? Do they obtain advances or reimbursements? If advances, how does the entity ensure that they do not draw down in excess of need?

Does the entity handle cash? If so, has adequate fidelity bond coverage been obtained for employees responsible for cash related transactions?

Controls Over Cash Receipts, only complete if applicable and material.

Are employees responsible for the cash receipt function prohibited from signing checks or reconciling the bank accounts? This step applies to the receipt of Federal funds and to loan payments collected in connection with program activities?

Are receipts deposited promptly and intact?

Are all checks restrictively endorsed upon receipt?

Are Cash Receipt Journals used to account for all receipts of cash?

Has the organization implemented procedures to minimize the time elapsing between the transfer of funds from the Federal Government and their disbursements?

Are Federal funds deposited in a separate bank account or if commingled, adequately accounted through control accounts?

Controls Over Cash Disbursements, only complete if applicable and material.

(Are duties adequately separated so that different persons prepare checks, sign checks, reconcile bank accounts, and have access to cash receipts?)

Are all disbursements properly supported by evidence of receipt and approval of the related goods and services?

Are unissued checks kept in a secure area?

Are all voided and returned checks controlled and accounted for?

Is the drawing of checks to cash or bearer prohibited?

Are check signing plates and signature stamps adequately controlled?

Are two signatures required on all checks over a stated amount

Are bank accounts reconciled monthly and are differences resolved?

Is petty cash controlled by vouchers and used for reasonable purchases and amounts?

Is petty cash reimbursed by check and are disbursements received periodically?