

# **Louisiana Legislative Auditor**

## **Checklist of Best Practices in Government**

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[http://www.la.state.la.us/la/bestpractices\\_resources.htm](http://www.la.state.la.us/la/bestpractices_resources.htm)

This checklist is useful to auditors in assessing internal control and compliance, and useful to Louisiana government entities desiring to perform a self-assessment. These questions were prepared from the recurring deficiencies found during the legislative auditor's advisory services provided over the past several years. The checklist is intended to identify control weaknesses, non-compliance with state laws, and poor business practices. This checklist is not intended to be all-inclusive.

**Yes      No      Comments**

**Written Procedures**

Formal/written procedures are necessary as a clear understanding of what should be done, how it should be done, who should do it, and when it should be done and ensure the procedures followed meet management's expectations.

Written procedures aid in the continuity of operation and for cross-training of staff.

1. Does the agency have written procedures for the following, where applicable?

Preparing, adopting, monitoring, and amending the budget

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Procurement/purchasing, including (at a minimum):

How purchases are initiated

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Use of purchase requisitions

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Types of requisitions (capital assets, supplies, travel, et cetera)

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Approval process for requisitions

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Preparation and approval process of purchase orders

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Checks and balances to ensure compliance with the public bid law

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Dollar thresholds that are lower than the public bid law where competitive quotes should be obtained to ensure the most favorable prices

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**Yes**      **No**      **Comments**

Documentation to be maintained regarding all bids and quotes:  
    Bid notification letters that include the contract, plans, and specifications  
    Documentation that the bids were properly advertised  
    Bid opening documentation that include the submitted bids, bid tabulation sheet, and indication of which bid was accepted

_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

**Written Procedures (Cont.)**

Receiving, recording, and preparing deposits for cash receipts

_____	_____	_____
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Processing, reviewing, and approving disbursements

_____	_____	_____
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Accounting for the business and personal use of cellular telephones

_____	_____	_____
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Processing, reviewing, and approving time/attendance records and payroll, including leave taken and overtime worked

_____	_____	_____
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Investing excess cash, including procedures for ensuring that bank balances and investments are fully secured and that the types of securities pledged by the financial institutions are appropriate (R.S. 33:2955(A), R.S. 39:1221 and R.S. 39:1221)

_____	_____	_____
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Recording, tagging, and safeguarding of capital assets, including conducting physical inventories

_____	_____	_____
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	Yes	No	Comments
Controlling and monitoring inventories (e.g., fuel, materials & supplies, food, et cetera) [For school food services, see below.]	_____	_____	_____
Using credit cards and filing expense reports supporting credit card charges	_____	_____	_____
Dispensing and reviewing the use of gasoline/diesel fuel	_____	_____	_____
Monitoring and operating the energy management system	_____	_____	_____
School Food Services: Accounting and processing of receipts for school food services at the individual schools	_____	_____	_____
Inventory control at the central warehouse and at the individual schools	_____	_____	_____
School Activity Funds - guidelines and standardized forms that aid individual schools in receiving, disbursing, record keeping, bank reconciliations, and monthly financial reporting	_____	_____	_____
<b>Written Procedures (Cont.)</b>			
Storing, issuing, and accounting for traffic tickets/citations and misdemeanor summons	_____	_____	_____
Evidence Room - recording, maintaining, inventorying, and disposing of confiscated items	_____	_____	_____
Disaster recovery/business continuity plan (includes computer system and continued operations/functions of the entity)	_____	_____	_____

**Yes**      **No**      **Comments**

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**Strategic Plan or Plan for Future Operations**

2. Is there a strategic plan or an operating plan that includes both short-term and long-range goals?  
If so, does the agency:

Monitor the plan, at least quarterly, to assess whether the agency is on target with the plan?

\_\_\_\_\_

Use the plan in decision-making processes and for budgeting (e.g., projects to undertake, major purchases, contracting, et cetera)?

\_\_\_\_\_

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**Budgeting**

The questions are intended to cover both compliance with the Local Government Budget Act (R.S. 39:1301 - 1315) and management's responsibility in using the budget as a tool to manage the entity and control spending.

3. Does the agency's budget include the following (R.S. 39:1305)?

Adopted budget for the General Fund and all special revenue funds

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Budget message, including the preparer's signature

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Estimated fund balances at the beginning of the year

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Estimated fund balances at the end of the year

\_\_\_\_\_

Proposed budget adoption instrument that defines the authority and powers of management and governing body in making changes to budget

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	Yes	No	Comments
6. Are performance measures incorporated into the budgeting process?	_____	_____	_____

**Budgeting (Cont.)**

7. Was the budget adopted prior to the beginning of the fiscal year (R.S. 39:1309)? [School boards must adopt the budget by September 15 <sup>th</sup> - R.S. 17:88(A)]	_____	_____	_____
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8. Are budgeted expenditures within estimated funds available (39:1309)?	_____	_____	_____
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9. Are budgets amended in accordance with R.S. 39:1310 - 1311?	_____	_____	_____
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**Financial Statements**

Management and the governing body should be provided with financial statements and budget comparisons for all funds each month.

2. Is there a written policy that provides the nature, extent, and frequency of financial reporting information that should be provided to management and the governing body?	_____	_____	_____
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3. Are monthly financial statements for all funds prepared and presented to the governing body?	_____	_____	_____
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4. Do the monthly financial statements include a comparison of actual results with original or amended budget amounts, including the variance amounts and variance percentages?	_____	_____	_____
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5. Does the governing body discuss the budget and actual financial results at its regular or finance committee meetings? If so, is this action reflected on the monthly meeting agenda and clearly documented in the minutes?	_____	_____	_____
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**Yes**      **No**      **Comments**

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**Purchasing/Disbursements**

A lack of appropriate segregation of duties that is not mitigated by other management factors is a risk factor that could provide opportunities for management or employees to misappropriate assets. No single individual should control all facets of a financial function.

7. Are there written purchasing policies?

\_\_\_\_\_

8. Is the purchasing function centralized within the agency?

\_\_\_\_\_

9. If an automated purchasing system is used, does the accounting system allow purchase orders to be created and invoices to be paid when an account is over budget?

\_\_\_\_\_

**Purchasing/Disbursements (Cont.)**

10. Are bids obtained for the purchase of materials or supplies exceeding \$20,000 as required by law (R.S. 38:2212.1)?

\_\_\_\_\_

11. Are at least three telephone or facsimile quotations obtained and documented as part of the approval process for purchases of materials or supplies costing between \$10,000 and \$20,000, as required by R.S. 38:2212?

\_\_\_\_\_

12. Are bids obtained for public works projects exceeding \$100,000 as required by law [R.S. 38:2212 (A)(d)]?

\_\_\_\_\_

13. Is there an adequate system of checks and balances over the purchasing and disbursement functions (e.g., same employee that prepares the checks also reconciles the bank account would not be a proper system of checks and balances)?

\_\_\_\_\_

	Yes	No	Comments
14. Is the disbursement function centralized within the agency?	_____	_____	_____
15. Are all disbursements supported by adequate documentation (purchase order, receiving report, vendor invoice, et cetera)?	_____	_____	_____
16. Does management document its review and approval on all invoices before payment is made?	_____	_____	_____
17. If a check signing machine is used, is access restricted to the key and/or combination?	_____	_____	_____
18. If a check signing machine is used, are there at least two persons present when checks are signed to ensure that the number of checks signed (meter reading) are agreed/reconciled to the number of checks listed on the check register?	_____	_____	_____
24. Is the supply of unused/blank checks adequately secured?	_____	_____	_____
25. Are bank statements and related canceled checks and validated deposit slips reviewed and reconciled timely (monthly) to the general ledger balances?	_____	_____	_____

**Contracting for Services**

Are contracted services necessary or needed, and is contracting out services the most cost-efficient manner for accomplishing the entity's objectives? We suggest that a cost/benefit analysis for all services contracted be done before considering contracting and before existing contracts are renewed.

**Yes      No      Comments**

Although the public bid law does not require services (professional or otherwise) to be bid, a competitive atmosphere would ensure that fees paid for services are cost-effective. The traditional public bid process may be used; however, some local governments are using *Requests for Proposals* (RFP) effectively in contracting for services. A RFP has the advantage of allowing the use of evaluation factors other than price in making the award. The criteria and point value must be set forth in the RFP.

We suggest that the dollar thresholds contained in the public bid law be used as a guide in contracting for services.

4. Is a cost/benefit analysis performed before considering contracting for services and before existing contracts are renewed?

\_\_\_\_\_

5. Are contracts for services awarded using bids or a request for proposal process?

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6. Do the terms of the contract include the specific services to be performed?

\_\_\_\_\_

7. Does the entity's legal advisor review all contracts before the documents are signed?

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8. Is there a centralized review and oversight of all contracts to ensure that services received comply with the terms and conditions of the contracts?

\_\_\_\_\_

Yes No Comments

**Credit Cards**

Based on our experience, whenever credit cards are used, they usually involve abuse and/or lack of adequate documentation to support the charges. Therefore, using credit cards is a risk factor that could provide opportunities for management or employees to misappropriate assets.

The credit card statement alone is not adequate documentation as it does not provide enough detail to support the propriety of the charges. For charges other than for gasoline, the credit card charge tickets are not adequate documentation as they do not provide enough detail to support the charge.

For example, credit card charge tickets for meals do not allow for verification of the number of meals purchased and the propriety of the charges. Therefore, the detailed meal receipt should be submitted for supporting documentation.

2. Does the entity use credit cards? If so, is there a written policy for using credit cards?

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3. Does management exercise adequate controls over credit card usage?

\_\_\_\_\_

4. Are there itemized/detailed receipts and other appropriate documentation for all credit card charges appearing on the monthly statement?

\_\_\_\_\_

5. Is the business purpose clearly documented for all charges appearing on the credit card statements, including names of persons participating?

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**Gifts, Donations, and Grants**

Article VII, Section 14(A) of the Louisiana Constitution of 1974 provides that the funds, credit, property, or things of value of the state or of any political subdivision shall not be loaned, pledged, or donated to or for any person, association, or corporations.

Examples of violations of Article VII, Section 14(A) of the Louisiana Constitution of 1974 include:

Yes No Comments

- Insufficient effort to collect delinquent accounts receivable
- Paying bonuses
- Purchasing flowers or gifts for employees or others
- Using public funds for parties
- Using public funds to help defray the cost of a banquet honoring retirees
- Spending public monies where there is no legal obligation to do so

**Gifts, Donations, and Grants (Cont.)**

Article VII, Section 14(C) provides that for a public purpose, the state and its political subdivisions or political corporations may engage in cooperative endeavors with each other, with the United States or its agencies, or with any public or private association, corporation or individual. However, to have a valid cooperative endeavor agreement, all three of the following elements must be met:

- The expenditure or transfer of public funds or property must be based on a legal obligation or duty
- The expenditure must be for a public purpose
- The expenditure must create a public benefit proportionate to its cost

4. Are funds, credit, property, or things of value loaned, pledged, or donated to or for any person, association, or corporation?	_____	_____	_____
5. Are grants to nonprofits or other entities supported by adequate cooperative endeavor agreements?	_____	_____	_____

**Travel**

**Yes      No      Comments**

The travel policy should be adequate to meet the needs of the entity. It should provide specific guidance as to what is allowable relating to business, conference, and seminar travel.

For example, a one or two page policy that is very general (does not include reimbursement rates for lodging or meals, etc.) would not be adequate to meet the needs of a school board that has several thousand employees.

For those entities that require a comprehensive travel policy, we suggest that they adopt a detailed travel policy using the State of Louisiana travel policies as a guide.

Travel should be reasonable and done only when necessary and when such travel benefits the entity.

4. Is there a travel policy?

\_\_\_\_\_

5. Is the travel policy adequate to meet the needs of the entity's employees and board members, including containing specific guidance as to what is allowable relating to travel for business and conferences?

\_\_\_\_\_

6. Are standardized expense reports for reimbursement prepared and do they include all appropriate documentation (itemized receipts, registration forms, conference brochures, mileage logs, et cetera) supporting the business nature of the expenditures?

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**Payroll and Attendance Records**

Payroll is generally the largest expenditure of a governmental agency. Therefore, it is important that controls over payroll are in place and working properly.

The complexity of the agency will drive the controls necessary to safeguard payroll.

For example, for a village with only five employees, there is no need for complex policies, procedures or forms. Good controls could consist of (1) including in the individual personnel files the approved salary or rate of pay amount; (2) require all employees

**Yes      No      Comments**

to complete simple time reports to document hours worked; (3) require that the time reports be approved by the appropriate supervisor; and (4) maintain simple records to account for vacation and sick leave earned and taken by employees.

2. Is there a proper system of checks and balances over the payroll function (e.g., same employee that prepares the checks also reconciles the bank account would not be a proper system of checks and balances)?

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3. Do all entity personnel prepare and file time/attendance reports?

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4. Are all time/attendance reports reviewed and approved by a supervisor? If so, is the supervisor's review and approval documented on the time reports?

\_\_\_\_\_

5. Are there adequate records maintained to account for vacation and sick leave earned and taken by all employees?

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6. Are standardized absentee forms completed and filed for all employee absences?

\_\_\_\_\_

7. Is there a computer-generated report available that shows all changes made to payroll (employees added/deleted and pay rate changes)? If so, does someone independent of the payroll and human resources departments review this report each pay period for accuracy and to ensure that all changes are authorized?

\_\_\_\_\_

Yes No Comments

**Bank Reconciliation**

Reconciling the bank balances with the book balances is necessary to ensure that (1) all receipts and disbursements are recorded by the entity (an essential process in ensuring complete and accurate monthly financial statements); (2) checks are clearing the bank in a reasonable time; (3) reconciling items (errors, unrecorded deposits and checks, etc.) are appropriate and are being recorded; and (4) the reconciled cash balance agrees to the general ledger cash balance.

R.S. 10:4-406(d)(2) allows the entity thirty days to examine bank statements and canceled checks for unauthorized signatures or alterations. After thirty days, the entity is precluded from asserting a claim against the bank for unauthorized signatures or alterations.

For small entities that have limited personnel, it may not be possible to have an employee with no receipts/disbursements functions to reconcile the bank statements. In those cases, we suggest that bank statements be received unopened by the chief executive officer or designated board member for his/her review

4. Are bank statements and related canceled checks and validated deposit tickets reviewed and reconciled timely to the book balances?

\_\_\_\_\_

5. Does the entity periodically review the collateral to secure the demand accounts? (R.S. 39:1225)

\_\_\_\_\_

**Investments**

Louisiana law requires that the entity shall adopt an investment policy that details and clarifies investment objectives and the procedures and constraints necessary to reach those objectives.

Entities are allowed to invest in only specific obligations as defined in R.S. 33:2955.

The entity should review securities pledged by financial institutions at least monthly to ensure that bank balances and investments are adequately secured and that the types of securities pledged comply with R.S.39:1221. There should be written procedures as to how this review is done and documentation maintained to document the review process. We suggest that

Yes No Comments

the quality of the securities pledged by the financial institution be reviewed in addition to making sure that the type and value of the securities pledged are adequate to secure bank balances and investments. Quality of the securities pledged is extremely important because of the volatility of today's investments.

Investments (Cont.)

4. Is there a written investment policy as required by R.S. 33:2955(D)?

\_\_\_\_\_

5. Is excess cash invested as required by R.S. 33:2955(A)?

\_\_\_\_\_

6. Is the type of securities pledged by the financial institution being reviewed to ensure compliance with R.S. 39:1221?

\_\_\_\_\_

Accounts Receivable

Not reconciling the detailed accounts receivable listing and detailed listing of customers' meter deposits to the balances in the general ledger on a monthly basis is a fraud risk factor.

The entity should have a written policy for collecting delinquent accounts receivable and should enforce that policy.

Insufficient effort to collect delinquent accounts receivable is a violation of Article VII, Section 14 of the Louisiana Constitution of 1974.

2. Is the accounts receivable balance in the general ledger reconciled monthly with the detailed accounts receivable listing?

\_\_\_\_\_

3. Is the meter deposit liability in the general ledger reconciled monthly with the detailed listing of customers' meter deposits and the related cash in bank?

\_\_\_\_\_

	Yes	No	Comments
4. Are billing adjustments approved by someone who is not involved in the billing process and is the approval documented?	_____	_____	_____
5. Is there a formal policy for collecting delinquent accounts receivable? If so, is the policy being followed?	_____	_____	_____

**Capital Assets**

State law outlines compliance requirements relating to the record keeping of capital assets (R.S. 24:515(B)).

In addition, capital asset records should include a description of the asset, year of acquisition, method of acquisition (e.g., purchase, donation, et cetera), funding source, cost or estimated cost, salvage value, estimated useful life, and the functions that use the asset.

Adequate controls are necessary in the safeguarding of capital assets from unauthorized use and theft.

4. Is there a capitalization policy for recording capital assets?	_____	_____	_____
5. Is there a detailed listing of capital assets? Is the listing current?	_____	_____	_____
6. Are capital assets tagged for ownership and control purposes?	_____	_____	_____
7. Are physical inventories conducted periodically of all capital assets?	_____	_____	_____

	Yes	No	Comments
	_____	_____	_____

**Special Taxes**

Agency records should clearly account for ad valorem and sales taxes dedicated for specific purposes.

The records should show the receipt of the special taxes and show specifically how those proceeds were spent.

For example, when the proceeds of special taxes are deposited or transferred to the agency's general operating fund, unless the agency's accounting system can track the expenditure of those specific funds, they usually lose their identity because they are commingled with the general operating fund.

2. Do the agency's accounting records clearly account for the special taxes dedicated for specific purposes (R.S. 39:704)?

	_____	_____	_____
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3. Have there been any loans or inappropriate transfers of dedicated taxes?

	_____	_____	_____
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**Records**

4. Are board meetings held monthly?

	_____	_____	_____
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5. Is written public notice given for all regular, special, or rescheduled meetings and does it comply with R.S. 42:7?

	_____	_____	_____
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6. Are minutes, ordinances, resolutions, budgets, and other official proceedings timely produced and published in the official journal in accordance with state law (R.S. 43:143 - 144)?

	_____	_____	_____
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	Yes	No	Comments
7. Is there a records retention schedule (that also includes e-mail communications) approved by the LA Secretary of State (R.S. 44:411)?	_____	_____	_____
8. Are the agency's financial records filed in an organized manner and accessible only by authorized personnel?	_____	_____	_____
<b>Ethics</b>			
In addition to having a written ethics policy, the entity should require annual certification letters from board members and employees attesting to their compliance.			
10. Does the entity have a written ethics policy?	_____	_____	_____
11. Does the entity obtain annual certification letters from board members and employees attesting to their compliance with the ethics policy?	_____	_____	_____
12. Has or does the entity participate in any transactions with its employees, board members, or their immediate families?	_____	_____	_____

Yes No Comments

**Gasoline/Diesel**

Controls over gasoline/diesel pumps should be adequate to ensure that (a) access to pumps are safeguarded; (b) only agency vehicles are receiving the fuel; (c) the supporting documentation for usage identify the vehicle and include the odometer readings and pump meter readings; and (d) the supporting documentation is reviewed promptly for reasonableness (number of gallons received, miles traveled, and miles per gallon).

Controls over gasoline/diesel credit cards (e.g., Fuelman Card) should require that (a) each vehicle that uses the card to maintain a vehicle mileage log; (b) the driver enter the correct odometer reading when fueling his/her vehicle; (c) the card only be used for the assigned vehicle; (d) management review the card statements to ensure that the number of gallons received, miles traveled, and miles per gallon are reasonable; and (e) management compare the vehicle mileage log monthly with the card monthly statement.

15. Does the agency exercise adequate controls (checks and balances) over its gasoline/diesel pumps and/or credit cards?

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**Traffic Tickets and Misdemeanor Summonses**

Accounting for the numerical sequence of traffic tickets and misdemeanor summonses is the key controlling factor.

Good controls over traffic tickets and misdemeanor summonses require that (1) the supply of ticket books be locked and ticket books be issued only when police officers return previously issued tickets as issued citations; (2) police officers be prohibited from collecting fines; and (3) records be maintained that account for the final disposition of all citations.

Traffic citations should not be reduced or dismissed "outside" of traffic court. R.S. 32:398.2.B requires that all traffic citations be disposed of only by trial or acceptance of a plea in open court.

Report all traffic violations (except for parking) to DPS within 30 days after the date of the person's conviction and sentencing or the final disposition of the case (R.S. 32:393(c)).

5. Is the supply of traffic/misdemeanor ticket books adequately safeguarded?

\_\_\_\_\_

	Yes	No	Comments
6. Are ticket books issued to police officers reconciled/agreed with the issued citations returned by those officers?	_____	_____	_____
	_____	_____	_____
<b>Traffic Tickets and Misdemeanor Summonses (Cont.)</b>			
7. Are police officers prohibited from collecting fines?	_____	_____	_____
	_____	_____	_____
8. Is there an adequate accounting of the final disposition of all citations?	_____	_____	_____
	_____	_____	_____
9. Are all actions for traffic citations handled in traffic court and included in the court minutes?	_____	_____	_____
	_____	_____	_____
10. Are traffic violations reported to the Louisiana Department of Public Safety as required by state law (R.S. 32:393(c))?	_____	_____	_____
	_____	_____	_____

**Evidence Rooms**

Failure of a law enforcement department to maintain control over confiscated weapons, drugs, money, and other items relevant to criminal cases increases the risk that these items will be stolen, lost, or disposed of improperly.

Documentation should be maintained for the final disposition of evidence.

If evidence is released, a completed property release form should be maintained.

If evidence is destroyed, the documentation should, at a minimum, include:

- a destruction order appropriately signed by the magistrate/district attorney

- a document from the law enforcement agency that destroyed the evidence to include the date, location, items destroyed, and signature of the persons destroying and witnessing the destruction (the entity's police officers should be prohibited from destroying evidence).

**Yes      No      Comments**

Cash held as evidence should be deposited in a bank account (unless the money is required for evidence--blood stained, etc.) and reported in an agency fund.

Consider using a bar code inventory system (computerized system for tracking and accessing evidence). If manual inventory records are maintained, store the records in a fireproof/locked filing cabinet with access limited to only authorized personnel.

4. Is access to the evidence room restricted?

\_\_\_\_\_

5. Is a log maintained that provides the name, date, time, and reason for entering the evidence room?

\_\_\_\_\_

**Evidence Rooms (Cont.)**

6. Is there a motion security camera in the evidence room that is impervious to power outages?

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7. Are two locks on the evidence room door which requires two individuals with two separate keys to enter?

\_\_\_\_\_

8. Is evidence stored by category (e.g., areas of the evidence room allotted for guns, knives, drugs, etc., to make it easier to take a physical inventory)?

\_\_\_\_\_

9. Do inventory records include the date confiscated, tag number, description of the weapon/drug, name of the individual from whom confiscated, reference to the arrest report, and final disposition?

\_\_\_\_\_

10. Are physical inventories of the evidence room conducted periodically?

\_\_\_\_\_

	Yes	No	Comments
11. Are translucent tear-resistant plastic bags used so that evidence can be seen?	_____	_____	_____
12. Is cash (unless the money is required for evidence --blood stained, etc.) deposited in a bank account and all transactions reported in an agency fund?	_____	_____	_____
13. Is adequate documentation maintained for the final disposition of evidence?	_____	_____	_____

**Parish Transportation Act (PTA)**

The statutory provisions of the Parish Transportation Act (R.S. 48:751-762) require the police jury to administer the parish road system efficiently and centrally as a whole. This method of administration is commonly referred to as the "unit system." Applying the concepts of the unit system to the administration of a road program, the police jury is required to implement a centralized accounting system, parish-wide capital improvement plan, and selective maintenance programs based upon the prioritization of projects developed collectively by the police jury. Also, a centralized purchasing system should be implemented and work assignments should be centrally scheduled and supervised by the parish manager.

2. Does the parish manager prepare a weekly work schedule?	_____	_____	_____
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**Parish Transportation Act (PTA) (Cont.)**

3. Are work orders prepared for all work done by police jury?	_____	_____	_____
4. Is there a 3-year parish-wide capital improvement plan and is it adopted annually?	_____	_____	_____
5. Are the capital improvement projects included in the plan in a prioritized ranking based on the parish-wide needs?	_____	_____	_____

	Yes	No	Comments
6. If the police jury installs culverts in public right-of-ways (ditches along parish roads) for the benefit of private landowners, do the private landowners reimburse the police jury for the actual costs of the installation (Attorney General Opinion No. 05-0153)?	_____	_____	_____
7. Is the police jury prohibited from installing culverts in ditches along state roads?	_____	_____	_____
8. Are the number of maintenance yards and their location the most efficient way to provide maintenance for the parish?	_____	_____	_____
<b>School Activity Accounts</b>			
The school board should establish guidelines and standardized forms that will aid individual schools in the development of proper checks and balances.			
The guidance from the school board should include, at a minimum, detailed procedures for			
collecting and safekeeping funds			
expending funds			
reconciling funds collected and expended with supporting records/documentation			
maintenance, security, and retention of records			
banking activities			
monthly financial reporting			
The business department or internal auditor should monitor the school activity accounts on a routine basis to determine whether the school board's policies and procedures are being followed.			
3. Are individual school activity accounts audited annually?	_____	_____	_____
4. Is the business department or internal auditor monitoring the school activity accounts on a routine basis?	_____	_____	_____

**Yes**      **No**      **Comments**

**School Food Services**

School food services have fraud risk factors because of the decentralization (number of locations), collection of cash, and inventory susceptible to misappropriation.

2. Are there adequate checks and balances over the collection/receipt of monies at school cafeterias?

3. Are there adequate checks and balances over inventories of food and supplies (at the central warehouse and at individual schools)?

**Internal Audit**

Having an internal audit department is an important control feature. Our concern is whether the internal audit department is actually performing an internal audit function and is doing it in accordance with the Institute of Internal Auditors standards.

2. Does the entity have an internal audit department?

3. Is there a policy statement from the audit committee that details the oversight responsibilities and expectations that the audit committee has relating to the internal audit department?

4. Does the audit charter include the specific functions and responsibilities of the internal auditing department?

5. Does the internal auditor prepare an audit plan?

	Yes	No	Comments
6. Does the internal auditor review all operations of the agency where there is a risk of financial exposure, potential for loss, and when there are major changes in operations, programs, systems, and controls?	_____	_____	_____
7. Does the internal auditor use computer-assisted audit techniques (CAATs) and continuous auditing (automated testing that is imbedded in the routine agency system processing) as part of his overall audit responsibilities?	_____	_____	_____
8. Is a quality assurance review of the internal audit department conducted at least once every five years by a qualified reviewer or review team independent of the internal audit department?	_____	_____	_____
<b>Disaster Recovery/Business Continuity</b>			
Sound business practices and good internal controls require that the entity develop a written disaster recovery/business continuity plan (including computer system and continued operations/functions of the entity) and to test the plan ant least annually.			
The plan should include a recovery plan to obtain access to an offsite facility to provide for the timely restoration of operations in the event the entity's facility is unavailable for an extended period of time.			
11. Does the agency have a written disaster recovery/business continuity plan in the event of a disaster?	_____	_____	_____
12. Is the disaster recovery process tested annually?	_____	_____	_____
13. Is the agency backing-up computer files daily and storing these files offsite?	_____	_____	_____

**Yes      No      Comments**

**Information Technology**

14. Has management established written policies governing information systems, including monitoring procedures to ensure that the policies are being followed? [Examples of policies are; who gets internet access; what items can and cannot be downloaded from the Internet; who can update internal files on a server; what is critical data and non-critical data (e.g., critical data includes access to payroll files to add employees or change pay rates; access to electronic fund transfer numbers; adding vendor files, etc.)]

\_\_\_\_\_

15. Has the agency identified what is critical and non-critical data (e.g., payroll vs. e-mail)? Are changes made to critical data being logged to document the person making the change, when the change was done, and what was changed? Is supervisory review of the propriety of the changes documented?

\_\_\_\_\_

**Information Technology (Cont.)**

16. Are the following duties separated?  
Systems programming (in a small shop, this would probably be an outside consultant)

17. Applications programming (e.g., payroll system program or general ledger program)

Operations (e.g., staff who "run" batch jobs to update data)

Security administration (e.g., issues and deletes user ID's)

18. End user functions (e.g., runs payroll, enters person for payroll, or set-up pay rates)

\_\_\_\_\_

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19.

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20. Is physical access to the computer room restricted?

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21. Is access to systems, programs, and data controlled and restricted?

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**Fraud Considerations**

22. Are there any incentives or pressures to misstate the financial statements (e.g., pressure to overstate revenue, understate expenses/expenditures, etc.)?

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23. Are there any employees that have recently had or are having personal financial hardships (e.g., loss of job by spouse, family business failing, etc.)? If yes, do any of these employees have access to cash or other assets susceptible to theft?

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24. Are there any employees whose behavior or lifestyle has changed significantly (e.g., gambling problems; purchase of a new house, new car, or jewelry that seems beyond the employees resources)? If so, do any of these employees have access to cash or other assets susceptible to theft?

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25. Do all employees who have access to cash or other assets susceptible to theft take an annual vacation? If so, does someone perform their duties in their absence?

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**Fraud Considerations (Cont.)**

26. Are there any allegations of fraud or suspected fraud?

Have there been any significant shortages in cash receipts or inventories over the past year?

6.

Does the government have fixed assets that are easily susceptible to misappropriation (such as small size, portability, marketability, lack of ownership identification, etc.)?

7.

Are any fixed assets missing?

8.

Have there been any reports filed with the police department for missing or stolen assets?

9.

Have any claims been filed with insurance companies for missing assets?

10. Were any employees terminated during the year? If so, what was the reason for their termination? Was their access to the computer network removed immediately upon termination?

_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____