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Internal Control Questionnaire

This general questionnaire identifies ideal internal control procedures that should be in place for all libraries, regardless of their size. If your library does not have many of these controls in place, you should identify the areas with the highest risk and start implementing controls in these areas first (generally cash receipt and cash disbursement). Reference http://www.blueavocado.org/content/five-internal-controls-very-small-nonprofit for key controls for a small non-profit.

I. Cash Receipts	Yes	No	N/A
1. Does the board annually authorize all bank accounts and check			
signers?			
2. Is the bank immediately notified of authorized check signers'			
changes?			
3. Are employees handling cash bonded (perform cost benefit			
analysis based on the amount of cash received)?			
4. Is access to cash records in software limited to those that			
require access for their job functions?			
5. Is mail opened and receipts listed by two people that do not			
have access to record cash?			
6. Does an employee without access to cash reconcile the above			
listing to the cash receipts record?			
7. Are checks restrictively endorsed "for deposit only" upon			
receipt?			
8. Are pre-numbered receipts completed for contributions			
received?			
9. Are cash receipts recorded in the general ledger by someone			
independent of mail opening and receipt listing?			
10. Are receipts deposited on a regular basis?			
11. Do adequate physical controls (i.e. placed in locked box) exist			
over cash receipts from time of mail opening until time of bank			
deposit?			
12. For cash collected at special events:			
a. Do individuals handling collections account for all			
tickets?			
b. Are cash receipts reconciled to tickets sold?			
c. Are unsold tickets accounted for?			
13. Are post-dated checks, disputed items, identified receipts, Non			
Sufficient Funds (NSF) checks, checks charged back by banks,			
and similar items received and reviewed by someone			
independent of deposit preparation and posting to general and			
subsidiary ledgers.?			

I. Cash Receipts	Yes	No	<u>N/A</u>
14. Is the desk collection function segregated from the general			
ledger and subsidiary ledger functions?			
15. When required by funding sources, are restricted funds			
deposited to separate bank accounts or segregated in the			
financial reports to track compliance with the restrictions?			
16. Are receipts of currency controlled by cash register or other			
method that is independent of the accounting function?			
17. Are currency receipts reconciled to the totals of cash registers,			
pre-numbered receipts, or other devices?			
18. Is the cashing of checks by employees to use for expenses			
prohibited?			

II. Cash Disbursements	Yes	No	N/A
1. Are employees with cash disbursement duties required to take			
vacations and are other employees required to perform those			
functions when an employee is absent?			
2. Is access to cash disbursement records in accounting software			
limited to employees whose job function requires access?			
3. Are all disbursements, except petty cash, made by check?			
4. If not, are there controls over non-check disbursements (i.e.			
passwords for Automated Clearing House (ACH) electronic			
transfers)?			
5. Check stock:			
a. Are checks pre-numbered and used in sequence?			
b. Are controls over blank check stock adequate?			
c. Is there a specified custodian for blank check stock?			
d. Do only employees authorized to prepare checks have			
access to stock?			
6. Check preparation:			
a. Are checks prepared by treasurer independent of voucher/invoice approval?			
b. Prior to check preparation are the following compared:			
i. Purchase order/approval			
ii. Evidence of receipt			
iii. Vendor invoice			
c. Are checks prepared from original vendor invoice			
only?			
d. Is there a clearly defined check approval process?			

II. Cash Disbursements	<u>Yes</u>	No	<u>N/A</u>
e. Are checks recorded in disbursements journal as			
prepared? (note: this will automatically be done if			
checks are generated from the accounting system)			
f. Are all check numbers accounted for?			
g. Are voided checks properly marked, retained, and accounted for?			
h. Are all checks made payable to a specific payee and not to cash or bearer?			
7. Check signing			
a. Do check signers receive and review all supporting documentation?			
b. Are supporting documents properly marked at time of signature to prevent duplicate payments?			
c. Are check signers authorized by the library board?			
d. Do certain checks (i.e. over a dollar amount) require dual signatures?			
e. Are authorized check signers independent of:			
i. Voucher preparation and approval for payment?			
ii. Check preparation, cash receiving, and petty cash?			
iii. Purchasing and receiving?			
iv. Timekeeping for payroll checks?			
f. Is signing of blank checks prohibited?			
g. Is custody of checks after signing and before mailing			
handled by an employee independent of all payable,			
disbursing, cash, receiving, and general ledger			
functions?			
h. If signature stamp is used, is it adequately safeguarded,			
andauthorized by the custodian of the stamp.			

III. Cash Reconciliations	Yes	No	N/A
1. Are employees with bank reconciliation duties required to take			
vacations and are other employees required to perform those			
functions when an employee is absent?			
2. Are bank accounts reconciled within a timely specified period			
after the end of each month?			
3. Are reconciliations completed by someone independent of the			
receipt and disbursement of cash			
4. Does a responsible individual (i.e. Library Director) receive			
the bank statements directly from the bank?			

III. Cash Reconciliations	<u>Yes</u>	<u>No</u>	<u>N/A</u>
5. Do reconciliation procedures include the following with			
respect to deposits:			
a. Comparison of dates and amounts of daily deposits as			
on the bank statement with the cash receipts journal?			
b. Investigation of transfers between bank accounts to			
verify that both sides of the transactions have been			
recorded?			
c. Investigation of items rejected by the bank (i.e. deposits			
subsequently charge back by the bank because of			
insufficient funds)?			
6. Do reconciliation procedures include the following with			
respect to disbursements:			
a. Comparison of canceled checks with the disbursement			
journal as to the number, date, payee, and amount?			
b. Account for the sequence of check numbers?			
c. Examination of canceled checks for authorized			
signatures?			
d. Examination of canceled checks for irregular			
endorsements?			
e. Examination of canceled checks for alterations?			
f. Review of voided checks?			
7. Are completed bank reconciliations reviewed?			
a. Is the review documented by initialing and dating the			
reconciliation?			
8. Are checks outstanding for over 90 days periodically			
investigated?			
a. Is payment stopped and an entry made restoring such			
items to cash?			

IV. Petty Cash	Yes	No	N/A
1. Is the responsibility for each petty cash fund assigned to only			
one person?			
2. Are petty cash funds maintained using the imprest method (i.e.			
a check request is generated to replenish the fund to the			
established amount based on an exact amount of receipts)?			
3. Are petty cash funds segregated from other cash?			
4. Is there a prohibition against petty cash disbursements over a			
specified amount?			
5. Custodian:			
a. Is the custodian independent of employees who handle			
receipts?			

IV. Petty Cash	Yes	No	<u>N/A</u>
b. Are the accounting records inaccessible to the			
custodian?			
6. Vouchers:			
a. Is a pre-numbered voucher used for all petty cash			
disbursements?			
b. Are vouchers completed in full in ink or another			
manner that would make alterations difficult?			
c. Are vendors approved by a department head or other			
responsible employee other than the custodian?			
d. Are the amounts of vouchers spelled, as well as			
numerically written?			
e. Are vouchers properly supported by invoices or cash			
register tapes?			
f. Are all items contained in the petty cash fund of a			
current and usual nature?			
7. Reimbursements			
a. Is there an adequate review of reimbursement vouchers			
before reimbursements are made?			
b. Are reimbursement vouchers and attachments marked			
at, or immediately following, the signing of the			
reimbursing check, so that they cannot be reused?			
8. Is the petty cash fund periodically counted by someone			
independent of the custodian?			
9. Is the cashing of employee, volunteer, and donation checks out			
of petty cash prohibited?			

V. Investments	Yes	No	N/A
1. Is authorization for purchases and sales of investments vested			
with the board or other responsible committee or official?			
a. Are all investment transactions reviewed and approved by the board?			
2. Does an financial committee or designated official determine that the type of investments are permitted by funding sources and donors and that the investment income and gains are used only for purposes authorized by laws, donors, or the governing board?			
3. Are employees with investment responsibilities required to take vacations and are other employees required to perform those functions when an employee is absent?			

V. Investments	Yes	No	<u>N/A</u>
4. Are securities adequately protected, preferable in a safe, safety			
deposit box, or on deposit with a trustee or financial			
institution?			
5. Is it necessary for more than one person to authorize their			
release from safekeeping or to have access to the safety deposit			
box?			
6. Are the above people authorized by the board?			
7. Are the above people bonded?			
8. Are the above people prohibited from having access to the			
accounting records (manual or electronic)?			
9. Is access to investment records limited to those that need			
access for their job functions?			
10. Are all securities held in the name of the organization?			
11. Are detailed records maintained that include the following			
information:			
a. Description of investment?			
b. Date of acquisition and purchase prices (or fair market			
value at date of donation)?			
c. Physical location of item (i.e. safety deposit box)?			
d. Interest/dividend/income rates and accrual/receipt			
dates?			
e. Restrictions on segregation or pooling and on			
disposition or use of income or proceeds?			
f. Lapse date of any restrictions?			
12. Are recordkeeping functions for securities and investment			
income performed by employees who have no access to the			
securities, cannot authorize security transactions, and have no			
duties in the cash area?			
13. As investment income is received, is it deposited in the proper			
bank account and accurately and timely posted to the			
investments records?			
14. Are schedules of investments showing all income received			
prepared monthly and reviewed by a responsible person?			
15. Are investment earnings recorded in the proper class of net			
assets?			
16. Are periodic surprise counts of evidence of ownership made			
and reconciled to detail records and other controls?			
17. Are periodic statements from outsiders or data resulting from			
independent request by the board (i.e. broker's position listing)			
promptly reconciled to detail records?			

VI. Payroll	Yes	<u>No</u>	<u>N/A</u>
1. Personnel, employment, and rate authorizations			
a. Are requests for new personnel originated only by the			
Library Director or other responsible employees?			
b. Are investigations (i.e. background check, former			
employers, references) completed for all new			
employees?			
c. Are classes of positions and pay rates periodically			
reviewed for compliance with personnel procedures or			
other documents designating pay rate of employees?			
d. Are all employees notified in writing of the			
organization's personnel policies and performance			
reviews?			
e. Are personnel files maintained?			
i. Do they contain information on employment			
application and new employee investigation,			
date employed, pay rates, changes in pay rates			
and position, authorizations for payroll			
deductions, earnings records, W-4 form,			
immigration documentation, specimen			
signatures, and termination data, where			
appropriate.			
f. Are written termination notices required that properly			
document reasons for termination and require			
approval?			
g. Do physical controls exist over personnel records that			
prevent their loss or use by unauthorized personnel (i.e.			
locked, fire-proof cabinets)?			
h. Are computerized payroll records limited to employees			
whose job function requires access?			
i. Is the payroll processor notified promptly of any			
changes in personnel data?			
2. Payroll preparation and timekeeping:			
a. Timekeeping and time cards:			
i. Are attendance and time records used?			
ii. Is timekeeping independent from payroll			
preparation?			
iii. Are time cards or other attendance records			
signed by the employees?			
iv. Is approval of time by Library Director required			
before processing payroll?			

1 4	yroll	<u>Yes</u>	<u>No</u>	N/A
	v. Are changes on time cards initialed or approved			
1	by the Library Director?			
b.	If payroll is processed by an outside service			
	organization, are controls in place to ensure that:			
	i. Time records submitted for processing are			
	complete and accurate and appropriate control			
	totals are maintained for subsequent			
	reconciliation to payroll registers?			
	ii. All other payroll information provided to the			
	service organization (i.e. pay rates,			
	withholdings, etc.) is authorized?			
	iii. Paychecks and/or payroll registers produced by			
	the payroll service are reviewed, reconciled to			
	control totals, and approved prior to releasing			
	pay checks?			
c.	Employees preparing the payroll are independent of			
	other payroll duties (i.e. timekeeping, check			
	distribution, etc.) and don't have access to payroll			
	records or bank accounts?			
d.	Does payroll perform the following functions in			
	preparing the payroll:			
	i. Check time card/attendance records for			
	computations of payroll period hours?			
	ii. Review time card/records for approval?			
	iii. Check overtime hours, rates, and computations?			
	iv. Review time records for unapproved			
	alterations?			
	v. Verify pay rates?			
e.	Is payroll subject to final approval by Library Director			
	or other responsible official before payment?			
f.	If checks are machine-signed, is there adequate control			
	over the use of the signature plate, and are the			
	procedures the same as for operational checks?			
σ	Are payroll checks pre-numbered, blank stock			
g.	controlled, checks used in numerical sequence, and			
	numerical sequence accounted for and reconciled to the			
	payroll check register?			

VI.	Payroll	Yes	No	N/A
	h. Are voided checks properly marked, maintained, and accounted for?			
	i. Do checks contain detail of gross pay and deductions?			
	j. Does an adequate system exist for distributing payroll costs to the proper accounts, programs, and other functions?			
	k. Are procedures in place to ensure that payroll taxes are paid timely and that payroll tax returns are filed when due?			
	1. Are procedures in place to ensure that other withholdings (i.e. 401k, health insurance) are remitted in a timely manner?			
	m. Are the gross and net pay amounts on tax returns reconciled to total payroll in the general ledger?			
	re paychecks distributed by someone independent of mekeeping or preparing payroll, checks, and envelopes?			

4. Uncl	aimed paychecks:		
a	. Are checks returned to an employee who is not associated with the payroll function?		
b	. Is a continuing record maintained of all unclaimed wages?		
5. Year	-end preparation of W-2 forms:		
а	. Is the total of W-2 wages for the year reconciled to the general ledger and payroll register?		
b	. Are W-2 forms that have been returned or unclaimed received and investigated by a person independent of the payroll and timekeeping function?		
	employee time records maintained in sufficient detail to v for allocations of payroll costs:		
a	. To specific grants, contracts, or cost reimbursement agreements?		
b	By function; for example, by program, management, membership development, and fund-raising?		
С	. To lobbying efforts?		
d	. Between unrelated business income activities and activities related to the organization's purpose.		
respo	ere a comparison of actual to budgeted payroll by a onsible person and are significant variances investigated documented?		
	detailed records maintained of accrued Paid Time Off o) and are they regularly reconciled to a control account.		
revie	postemployment and postretirement benefit accruals wed by a knowledgeable individual to ensure they are rate and properly recorded?		
vaca	employees with payroll responsibilities required to take tions and are other employees required to perform those tions when an employee is absent?		

VII. Property and Equipment	Yes	<u>No</u>	<u>N/A</u>
1. Is formal board approval required for all property and			
equipment additions?			

VII. Property and Equipment	Yes	No	N/A
a. If not, do items costing in excess of a specified amount			
require governing board approval?			
2. Are designated individuals responsible for verifying			
compliance with the terms and conditions of all grants,			
restricted contributions, etc.?			
3. Is formal board approval required for disposal of property and			
equipment?			
4. Does the organization have written policies that permit			
personnel to:			
a. Distinguish between capital items, repairs, and			
maintenance expenses?			
b. Determine the fair value of contributed property and			
equipment?			
5. Are detailed property and equipment records maintained that			
include description, date purchased or received by donation,			
cost or fair value at donation, donor or funding source			
restrictions on use or disposition?			
6. At least annually, is a physical inventory of property and			
equipment taken that is compared with records?			
 a. Are reconciliations prepared and any discrepancies 			
immediately followed up and explained?			
b. Are reconciliations reviewed?			
7. Is the bookkeeper informed of any material changes in the			
status of property and equipment items (i.e. sales, scrapping			
etc.)?			
8. Is equipment properly identified by numbering or another			
method?			
9. Are items adequately safeguarded from loss due to fire, theft,			
or misplacements?			
10. Are periodic insurance reviews and appraisals made?			
11. Are periodic reviews of the carrying values of property made			
to assess whether such values are adequate to be recoverable in			
the ordinary activities of the organization?			
12. Is access to electronic fixed asset records limited to those that			
require access for their job functions?			

VIII. Inventories	Yes	<u>No</u>	<u>N/A</u>
1. Is inventory (i.e. collection) adequately safeguarded against			
loss, theft, physical deterioration, and misuse?			
2. Are perpetual inventory records maintained, both in dollars and			
in quantities, and periodically balanced to the general ledger.			

VIII. Inventories	Yes	No	<u>N/A</u>
3. Are periodic physical inventories taken and balanced to the perpetual records?			
a. Are there written instructions for such counts?			
b. Are material differences investigated and explained?			
4. Do adjustments to the inventory records require management approval?			
5. Are inventories covered by insurance?			
6. Is access to electronic inventory records limited to those that require access for their job functions?			

IX. IT	controls	Yes	No	N/A
1. IT stra	ntegic planning:			
a.	Is a management steering committee responsible for reviewing and approving IT plans and policies?			
b.	Does the Library conduct regular risk assessments and appropriately address noted risks?			
c.	Are all outside service providers evaluated before contracting to determine the potential impact on controls and the financial statements?			
2. Back-	up and recovery:			
a.	Does the library have a backup and data retention policy/schedule specifying how often backups are performed, how long they are retained, and where backup media is stored?			
b.	Are application data backups performed to minimize the risk of lost or corrupted data? Are backup tapes or other media secured (accessible only by authorized personnel)?			
c.	Are application data recovery procedures tested at least once annually to ensure data integrity and recovery?			
d.	Are file server backups performed to minimize the risk of lost or corrupted data? Are backup tapes or other media secured (accessible only by authorized personnel)?			
e.	Are file server recovery procedures tested at least once annually to ensure data integrity and recovery?			
f.	Is batch processing controlled and monitored to ensure proper completion?			
g.	Is access to scheduled job content and to the scheduler properly controlled?			

	controls	<u>Yes</u>	<u>No</u>	N/A
h.	Do interfaces between systems include appropriate			
	controls to ensure the complete and accurate transfer of			
	data?			
i.	Do appropriate environmental controls exist to ensure			
	the security and reliability of equipment in data centers			
	and other technical facilities (i.e. fire/smoke detection			
	and fire suppression, temperature and humidity			
	controls, and an uninterruptible power supply and/or			
	backup generators where required?			
3. Logica	al security:			
a.	Does an information security policy exist that defines			
	information security objectives? Is this policy			
	supported by documents standards and procedures			
	where necessary?			
b.	Do procedures exist and are they followed to ensure			
	timely action relating to requesting, establishing,			
	issuing, suspending, modifying, and closing user			
	accounts?			
c.	Are new user accounts in the network, application, and			
	database environments set up in response to properly			
	authorized requests from management?			
d.	When user access rights are modified (due to job			
	transfers or other reasons), are the access rights of these			
	users reviewed in order to remove access rights that are			
	no longer needed?			
e.	Are additional access rights only granted in response to			
	properly authorized requests from management?			
f.	Are user access rights removed or suspended in a			
	timely manner when employees are terminated? Do			
	standards exist to define timeliness requirements for			
	various situations (i.e., voluntary or involuntary			
	termination)?			
g.	User access rights (network, application, and database)			
8.	are granted on a need-to-know, need-to-do basis.			
h.	User access rights (network, application, and database)			
111	support necessary segregation of duties (as defined by			
	the financial areas' reliance on automated controls).			
i.	Segregation of Duties Controls:			
1.	i. Are IT personnel prohibited from performing			
	accounting duties and other functions normally			
	provided by end users?			

IX. IT controls	Yes	No	<u>N/A</u>
j. Do application data owners perform a periodic review			
of user access rights for all in-scope applications (and			
network access when required)?			
k. Is database access, including the ability to read, modify,			
or delete key financial data either directly or via Open			
Database Connectivity (ODBC), appropriately			
restricted?			
1. Are procedures in place and followed to maintain the effectiveness of authentication and access mechanisms			
(e.g., password length, password history, password			
expiration, and lockout for failed attempts)?			
m. Use of shared ID's is prohibited except for limited, read-only access?			
n. Are access rights to generic ID's limited?			
o. Is physical access to computer room,			
file/communication servers, off-line data storage, and			
other sensitive storage appropriately restricted to			
authorized personnel? Is access reviewed for			
appropriateness on a periodic basis?			
p. Are controls over perimeter and network security in			
place (i.e. firewalls, routers, terminal service devices,			
wireless security, intrusion detection, and vulnerability			
assessments where appropriate)?			
q. Are software users prohibited from having access to			
source code, the compiler, and programming			
documentation?			
4. Change Management			
a. Are formalized change management policies and			
procedures in place and updated as required?			
b. Are application, database, and operating system			
changes tracked in a centralized change tracking			
database or system?			
c. Is user acceptance documented prior to migrating			
application and database changes to production?			
d. Are operating system changes approved by IT management?			
e. Is source code version control maintained via change			
control software or other means for applications where			
the entity has source code, application?			
and chirty has source code, approacher.		I	l

IX. IT	controls	Yes	No	N/A
f.	Are emergency changes at the application, database, and operating system levels documented and subject to formal change controls, including review after the fact and notification of data owners for approval is prompt when appropriate?			
g.	Are controls are in place to allow only authorized individuals to migrate application programs to production for applications where the entity has source code?			
h.	Is a formal change management policy in effect that documents the minimum requirements for change control and system development on an entity-wide basis? The policy should address requirements to consider system security, availability, and processing integrity where appropriate, including in application controls, in the development of new systems, and in major changes to existing systems.			
i.	Are application controls formally considered and documented during the implementation of new information systems.			
j.	Are subject matter experts (as indicated by the application data owner) involved in deriving application system requirements?			
k.	Is a test plan developed and followed for all major implementation projects, including unit, system, integration, interface, and data conversion testing, as appropriate?			
1.	Is user acceptance testing completed and documented on all user-requested projects prior to the move into production?			