

## **Control Development Questionnaire**

*(An optional tool to be used in conjunction with Uniform Compliance Guidelines on Internal Controls for State and Quasi Agencies)*

Through risk assessment, management will identify the top risks facing the agency. Management may use this tool to create and document a plan to respond to each identified risk. It may also serve as a template for the resolution of audit findings. This is an **optional tool** that follows steps outlined in the *Uniform Compliance Guidelines on Internal Controls for State and Quasi Agencies*. A similar tool is available in Excel format. Management may modify this tool to meet the needs of the agency or decide that other methods are more suitable.

**General Information.** The general information section will document the objective and risk identified, along with applicable criteria and root cause of the risk. In this section, management will also designate responsibility and time frame for completion.

**Control Activities.** Management minimizes risk through control activities. In this section, management will determine and document the most effective and efficient control activities to address the risk. For more detailed information on this section, See Part Two – Section Three: Developing Control Activities.

**Information and Communication.** Management must establish proper communication channels and determine suitable information needed for control activities and monitoring processes to be successful. In this section, management considers quality information, internal and external communication channels, and safeguarding of information. For more detailed information on this section, see Part Two – Section Four: Developing Information and Communication Processes.

**Monitoring.** Once controls are in place, management must monitor controls to determine whether they are functioning as intended. This section involves plans for establishing criteria, gathering information, and assessing results. For more detailed information on this section, see Part Two – Section Five: Developing Monitoring Procedures.

The Control Environment is covered separately as it forms the foundation for all internal control processes and is not subject to change with any given objective.

## Control Development Questionnaire General Information

*What is the risk identified?*

- *Describe a risk identified in the agency risk assessment/top risks, an internal control weakness identified in the Internal Control Evaluation, an audit finding, or management letter comment.*
  
- *Is this risk agency-wide or contained with a major service area/program/department of the agency? If applicable, name the major service area/program/department.*

*What criteria applies to this risk? Describe requirement in Indiana Code, Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Financial Management Circular, federal regulation, contractual requirement, policy, standard operating procedure, best practice, etc.*

*Why is it important to mitigate the risk? Describe the impact, likelihood, consequences of not correcting the risk.*

*What is the root cause of the risk? Describe why this risk or weakness exists.*

*Which component(s) of internal control must be developed to address the risk?*

\_\_\_\_ Control Environment

\_\_\_\_ Risk Assessment

\_\_\_\_ Control Activities

\_\_\_\_ Information and Communication

\_\_\_\_ Monitoring

## **Control Development Questionnaire**

### **General Information**

(Continued)

*Who is responsible for developing controls for this risk? (Describe which agency department, position, or person).*

*Who is responsible for monitoring the progress of control development? (Describe which agency department, position, or person).*

*When is the target date for completion?*

### **Control Activities**

Once risks are identified and assessed through the risk assessment process, management minimizes risks through control activities. When deciding the best response, management should use risk assessment information to identify the most effective and efficient control activities available for handling the risk.

The Green Book identifies a list of control activity categories for management to consider in response to risk. Although not an exhaustive list, the Green Book categories are reproduced here for reference purposes:

- Top-level reviews of actual performance.
- Reviews by management at the functional or activity level.
- Management of Personnel.
- Controls over information processing.
- Physical control over vulnerable assets.
- Establishment and review of performance measures and indicators.
- Segregation of duties.
- Proper execution of transactions.
- Accurate and timely recording of transactions.
- Access restrictions to and accountability for resources and records.
- Appropriate documentation of transactions and internal control.

**Control Development Questionnaire**  
**Control Activities**  
(Continued)

*Principle Ten: Management designs control activities to achieve objectives and respond to risks.*

- 1. Respond to Risk.** *Has management determined that control activities should be implemented to reduce the risk?*

\_\_\_ Yes

\_\_\_ No – management has determined that the risk should be accepted, avoided, or shared?

*If management has determined that risk will be accepted, avoided, or shared, the basis for the determination should be documented or referenced here: \_\_\_*

*If the risk will be shared, how will it be shared? \_\_\_*

- 2. Design Control Activities.** Control activities carry out management's response to identified risks. A sound internal control plan will combine both preventative and detective controls to mitigate risks, implemented through a variety of automated or manual methods.

*What preventative or detective controls will be effective, with special consideration for segregation of duties? (See control activities chapter for more information.)*

\_\_\_ Segregation of Duties

\_\_\_ Review and Approval

\_\_\_ Authorization

\_\_\_ Verification

\_\_\_ Supervision

\_\_\_ Other (describe)

*Describe the controls that will be put in place:*

## Control Development Questionnaire

### Control Activities

(Continued)

*Principle Eleven: Management designs the information system and related control activities to achieve objectives and respond to risks.*

- 3. Specifically Address the Design of Control Activities for the Information System.** Information Technology controls support the completeness, accuracy, and validity of information processed; protect data and program integrity from error or malicious intent; and prevent unauthorized programs or inappropriate modifications to existing programs or files.

*Will control activities need to be addressed for the Information System for this risk?*

\_\_\_\_\_ Access to Programs and Data

\_\_\_\_\_ Program Changes

\_\_\_\_\_ Program Development

\_\_\_\_\_ Computer Operations

\_\_\_\_\_ Data Integrity

\_\_\_\_\_ Disaster Recovery

\_\_\_\_\_ Other (describe)

*Describe changes needed to the information system:*

*Principle Twelve: Management implements control activities through policies.*

- 4. Document Control Activities.** Control activities are deployed through policies that define responsibility for objectives, risks, and control activity design, implementation, and operating effectiveness.

**Control Development Questionnaire**  
**Control Activities**  
(Continued)

*How will control activities be documented?*

\_\_\_ Standard Operating Procedures (SOP)

\_\_\_ Narrative

\_\_\_ Flowchart

\_\_\_ Other (describe)

Reference or Location for documentation: \_\_\_\_\_

- 5. Communicate Responsibility.** Management should ensure employees understand their responsibilities related to policies affecting their functions, including the responsibility to investigate and act upon discrepancies.

*How will responsibilities be communicated?*

\_\_\_ Newsletter

\_\_\_ Staff Meetings

\_\_\_ Webinar

\_\_\_ Other (describe)

*When, or how often, will responsibilities be communicated?*

Reference or file location for the communication: \_\_\_\_\_

## Control Development Questionnaire

### Control Activities

(Continued)

- 6. Review Policies and Procedures.** Management should periodically review policies, standard operating procedures, and related control activities for relevance and effectiveness in achieving objectives and addressing related risks.

*How often will control activities be reviewed for relevance and effectiveness?*

*Describe the review process:*

*Position responsible:*

## Information and Communication

Quality information enables management to support the internal control system, determine risks, and communicate policies. To be effective for the achievement of objectives, information must be current, accurate, appropriate in content, and available on a timely basis at all staff levels.

*Principle Thirteen: Management uses quality information to achieve agency objectives.*

- 1. Identify Information Requirements.** Management will need to identify the policies, procedures, data, and reports needed to support the functioning of the control activity and monitoring process.

*What information is needed for the control activities and monitoring processes selected to address the identified risk?*

- 2. Gather Quality Data.** Quality information allows management to make informed decisions, address risks, and evaluate performance.

*Where is the identified information found?*

*How is it accessed?*

*How do employees know the information is accurate, reliable, quality information?*

*What is considered timely information?*

- 3. Process the Information.** Pertinent information should be processed in sufficient detail, in the right form, and in the appropriate time to enable employees to carry out their duties and responsibilities.

*Who needs this information?*

*In what form will the information be most useful?*

*When is the information needed?*

*Principle Fourteen: Management internally communicates the necessary quality information to achieve agency objectives.*

- 4. Establish Internal Communication Pathways.** Internal communication channels information in all directions (across, up, and down the agency) to ensure employees, management, and leadership stay informed, resulting in coordinated, informed decision making.

*To whom should this information be communicated?*

*What is the best method?*

\_\_\_ Microsoft Teams Meetings (or similar platform).

\_\_\_ Webinars.



- \_\_\_ Dashboards.
- \_\_\_ Newsletters.
- \_\_\_ Emails.
- \_\_\_ Policies and Standard Operating Procedures.
- \_\_\_ Regular Staff Meetings.
- \_\_\_ Inhouse Training Sessions.
- \_\_\_ Other (describe)

*How will the designated person use the information?*

*When/how often will the information be communicated?*

*What if there is a problem?*

*Principle Fifteen: Management externally communicates the necessary quality information to achieve agency objectives.*

- 5. Establish External Communication Channels.** External communication flows in two directions - enabling inbound communication of relevant external communication and providing outbound information to external parties in response to requirements and expectations.

Inbound communication, if applicable to this risk

*Who receives inbound communication related to this risk? (For example, external audit reports, hotlines, customer surveys.)*

*What procedures are used to evaluate the reliability of information received from external parties?*

*How and when is the information used?*

*What if there is a problem?*

## Control Development Questionnaire Information and Communication

(Continued)

Outbound communication, if applicable to this risk

*To whom should this information be communicated externally?*

*What is the best method?*

*What are the procedures to ensure only authorized individuals provide information to external parties?*

*How is restricted information safeguarded? (for example, personally identifiable information; other confidentiality restrictions)?*

*What are the procedures to ensure that information to be released is quality information?*

*How are employees informed of available separate reporting lines such as the Inspector General Hotline, or the State Board of Accounts Fraud Reporting Form?*

### Monitoring

Monitoring internal controls involves a systematic process to determine whether controls in place are effective in achieving objectives.

*Principle Sixteen: Management establishes and operates monitoring activities to monitor the internal control system and evaluate the results.*

- 1. Define Key Controls.** When setting up monitoring activities, pinpoint key controls that mitigate significant risks. For example, controls which segregate duties for custody of assets, recordkeeping, and authorization are key controls.

*Describe the type of control to be monitored:*

\_\_\_ Segregation of Duties

\_\_\_ Review and Approval

\_\_\_ Authorization

\_\_\_ Verification

\_\_\_ Supervision

\_\_\_ Other (describe)

- 2. Establish A Baseline.** The baseline of known effective internal controls will be the foundation of ongoing monitoring.

*What criteria applies to this risk? (Describe requirement in Indiana Code, Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Financial Management Circular, federal regulation, contractual requirement, policy, standard operating procedure, best practice, etc.)*

*How do the control activities address the criteria?*

- 3. Set Benchmarks.** Once key controls are selected and a baseline established, form clear, measurable and specific benchmarks to evaluate the effectiveness of controls.

*What measurable and specific benchmark will be used to evaluate whether the control is working as intended?*

- 4. Select Monitoring Methods.** Monitoring may be performed on an ongoing basis and through separate evaluations to determine whether control activities are present and functioning.

**Control Development Questionnaire**  
**Monitoring**  
(Continued)

*Will the monitoring process be ongoing or through separate evaluation?*

Ongoing (examples)

- Using automated tools.
- Performing regular management and supervisory activities.
- Preparing comparisons.
- Performing reconciliations.
- Other (describe).

*Describe steps for the ongoing monitoring process:*

*Who is responsible for this process:*

*Where are the results of the ongoing monitoring process filed:*

Separate Evaluation (examples)

- Self-assessments.
- Reviews by staff or management independent of the performance of key controls.
- Audit results and other evaluations.
- Data Analysis and trend monitoring.
- Tests and Sampling.
- Other (describe).

**Control Development Questionnaire**  
**Monitoring**  
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*Describe steps in the separate evaluation process:*

*Who is responsible for this process?*

*How often will the separate evaluation process be conducted?*

*Where are the results of the separate evaluations filed?*

*How will employees be educated about their role in monitoring internal controls?*

*What do employees do when a problem is encountered?*

- 5. Gather Information.** Effective monitoring requires management to evaluate sufficient "suitable information." Suitable information is relevant, reliable, and timely. Information that meets these conditions is defined as "persuasive" within the COSO Guidance on Monitoring Internal Control Systems.

*What information is needed for monitoring?*

*How will employees know the information is reliable (complete, accurate, free from bias)?*

*What is considered timely information for the monitoring of this activity?*

**Control Development Questionnaire**  
**Monitoring**  
(Continued)

*Where is the information found?*

*How will the information be gathered? (For example, observation operation, review, reperformance, statistics, etc.)*

*When will the information be gathered?*

*Who will gather the information?*

*Where will the gathered information be stored or how will it be referenced?*

*Principle Seventeen: Management remediates identified internal control deficiencies on a timely basis.*

- 6. Assess Monitoring Results.** Monitoring may confirm the sufficiency of the control activity or identify shortcomings.

*What procedures will be used to assess whether monitoring results meet the established benchmarks?*

*Who is responsible for assessing monitoring results?*

*How often will monitoring results be assessed?*

**Control Development Questionnaire**  
**Monitoring**  
(Continued)

*To whom are problems reported?*

- 7. Implement Corrective Action.** Management takes action to address shortcomings identified in the monitoring results.

*Who will be responsible for implementing corrective action, if necessary?*

*How will this be tracked?*

- 8. Document the Monitoring Process.** Maintain thorough records of monitoring activities, findings, and corrective actions taken. This documentation is essential evidence that internal controls are present and functioning.

*Who will be responsible to ensure the process is documented?*

*How will the monitoring process be documented with tangible evidence that procedures were performed as designed?*

*Where will the documentation be filed?*

*How often will it be updated?*