

Control Environment Internal Control Evaluation Questionnaire

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

Agency _____

Date _____

Evaluator _____

This questionnaire contains a series of yes or no questions for consideration in management's evaluation of the control environment. The list is not considered exhaustive, but merely as a starting point for analysis. Not all questions will be applicable to all agencies. Management is encouraged to modify or add questions as needed. Based on the evaluation of the control environment, management may consider opportunities for improving the control environment. Suggested steps to develop the control environment are in "Developing the Control Environment" in the Control Environment section:

Yes | No | N/A

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|-----|-----|-----|----|--|
| ___ | ___ | ___ | 1. | Are the State of Indiana Employee Handbook, the State Ethics Code, and other statewide policies emphasized to employees by management? |
| ___ | ___ | ___ | 2. | If applicable, is an agency code of conduct communicated prominently throughout the agency? |
| ___ | ___ | ___ | 3. | Is the agency code of conduct periodically updated and reviewed (i.e., the code of conduct reviewed on an annual basis)? |
| ___ | ___ | ___ | 4. | Does the agency have an anonymous and confidential Whistleblower policy for communicating and receiving information regarding fraud, errors in financial reporting and misrepresentation or false statements made by management? |
| ___ | ___ | ___ | 5. | Have transactions been executed in accordance with the agency code of conduct and approved written policies and procedures? |
| ___ | ___ | ___ | 6. | Does management analyze and document the knowledge and skills required to accomplish tasks? |
| ___ | ___ | ___ | 7. | Are job responsibilities formally documented and reviewed annually by management and other individuals in a position of influence over financial reporting? |
| ___ | ___ | ___ | 8. | Has management established overall objectives in the form of a mission statement, goals, or other written operating statement(s)? |

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Yes | No | N/A

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|-----|-----|-----|-----|--|
| ___ | ___ | ___ | 9. | Have objectives been clearly communicated to all employees? |
| ___ | ___ | ___ | 10. | Are objectives established for key areas (i.e., operations, financial reporting, compliance, etc.)? |
| ___ | ___ | ___ | 11. | Are policies and procedures consistent with statutory authority? |
| ___ | ___ | ___ | 12. | Are operations performed in accordance with statutes governing the public agency? |
| ___ | ___ | ___ | 13. | Does senior management review financial results and performance measures regularly? |
| ___ | ___ | ___ | 14. | Are unusual variances between budget and actual examined? |
| ___ | ___ | ___ | 15. | Does the agency compare its actual performance with its goals and objectives? |
| ___ | ___ | ___ | 16. | Does management follow-up on audit findings? |
| ___ | ___ | ___ | 17. | Are written policies and procedures for all major areas periodically reviewed and approved by leadership and readily available for use by all employees? |
| ___ | ___ | ___ | 18. | Is there an organizational chart that clearly defines the lines of authority and responsibility? |
| ___ | ___ | ___ | 19. | Does senior management review and update the organizational structure of the agency? |
| ___ | ___ | ___ | 21. | Is monitoring of the agency's operations adequate? |
| ___ | ___ | ___ | 22. | Are specific limits established for certain types of transactions and delegations clearly communicated and understood by employees within the agency? |
| ___ | ___ | ___ | 23. | Have specific lines of authority and responsibility been established to ensure compliance with Federal and State laws and regulations? |
| ___ | ___ | ___ | 24. | Does management understand the concept and importance of internal controls, including division of responsibility? |

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Internal Control Evaluation Questionnaire
(Continued)

Yes | No | N/A

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|-----|-----|-----|---|
| ___ | ___ | ___ | 25. Is the internal control structure supervised and reviewed by management to determine if it is operating as intended? |
| ___ | ___ | ___ | 26. Are responsibilities segregated so that no single employee controls all phases of a transaction? |
| ___ | ___ | ___ | 27. Are there adequate policies and procedures for authorization and approval of transactions at the appropriate level? |
| ___ | ___ | ___ | 28. Are sufficient training opportunities to improve competency and update employees on new policies and procedures available? |
| ___ | ___ | ___ | 29. If known areas of knowledge are limited, has help been enlisted from peers, auditors, or outside consultants to identify alternatives and suggest solutions? |
| ___ | ___ | ___ | 30. Have managers been provided with clear goals and direction from the governing body or top management? |
| ___ | ___ | ___ | 31. Is information (i.e., findings, recommendations, etc.) provided by external auditors considered and acted upon in a timely manner? |
| ___ | ___ | ___ | 32. Does management ensure compliance with the State's and/or agency's personnel policies and procedures concerning hiring, evaluating, promoting, compensating, and terminating employees? |
| ___ | ___ | ___ | 33. Are job descriptions (and other documents that define key position duties/requirements) current, accurate and understood? |
| ___ | ___ | ___ | 34. Are employees cross-trained to ensure the uninterrupted performance of personnel functions? |
| ___ | ___ | ___ | 35. Does the agency have mechanisms in place to anticipate, identify, and react to risks presented by changes in government, economic, industry, regulatory, operating, or other conditions that can affect the achievement of the agency's goals and objectives? |
| ___ | ___ | ___ | 36. Is risk identification incorporated into management's short-term and long-term forecasting and strategic planning? |

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(Continued)

Opportunities for Improvement

Based on answers to self-evaluation questions, management should list improvements that must be made to ensure a sufficient control environment, focusing on key controls first.

Controls to be improved:
