

7/31/2014
DBW

INTERNAL CONTROL CHECKLIST FOR VERMONT TOWNS

This self-assessment checklist has been compiled to assist town managers, treasurers, and auditors to assess their town's internal control environment for accounting and financial reporting and to provide guidance in implementing controls where weaknesses are perceived. Your town's system of internal controls includes all of the policies and procedures needed to provide reasonable assurance that your financial information is reliable, that operations within the office are effective and secure, and that you are complying with applicable laws and regulations.

Proceed through the questionnaire, and circle "Y" (Yes) or "N" (No) in response to each question.

After completing the questionnaire, scan down your answers in the "Response" column, noting whether they are aligned to the left or right side of the column. The questions that you have been able to answer on the left side indicate the internal control is in place. Your answers on the right side indicate an internal control weakness. This checklist should give you a good indicator of the number and type of internal controls that might need attention in your operation. Please give your auditor or the Vermont State Auditor's Office (802-828-2281) a call if you need assistance.

GENERAL:

		Response	Comments
1.	Is town management aware that internal control is their responsibility?	(Y) N	
2.	Does town management show commitment to establishing and maintaining controls?	(Y) N	
3.	Do town offices have an organizational chart defining the activities and persons responsible for them?	(Y) N	
4.	Are the duties of officials and employees clearly defined and assigned?	(Y) N	
5.	Does town management consistently exhibit high ethical and professional standards in its conduct, setting the standard for the entire organization?	(Y) N	
6.	Are personnel involved in accounting functions required to take an annual vacation?	Y (N)	
7.	Are accounting functions performed by other personnel during the vacation of primary accounting personnel?	(Y) N	
8.	Is other staff trained in the accounting functions to provide backup in the case of vacation or other absence of the primary bookkeeping employee(s)?	(Y) N	
9.	Is responsibility for accounting duties ever rotated among staff?	Y (N)	
10.	Is the town in compliance with state statutes covering incompatible offices? (17 VSA §2647) See VLCT Handbook for Town Officers (p.4)	(Y) N	
11.	Is a current, accurate and accessible policy and procedures manual in place, including an official code of conduct or an official set of policies governing employee conduct?	(Y) N	
12.	Are the policies governing employee conduct communicated in an effective way to all staff and reviewed with them periodically?	(Y) N	
13.	Is confidential or sensitive material (e.g., payroll records and taxes) maintained separately from non-confidential records?	(Y) N	
14.	Is insurance coverage reviewed periodically by qualified individuals to determine adequacy?	(Y) N	
15.	Does the comprehensive liability policy include liability coverage for all officials and employees?	(Y) N	

16.	Is a budget system (including monthly or quarterly budget reports) used for watching income and expenses?	<input checked="" type="radio"/> Y	<input type="radio"/> N	
17.	Are cash projections made and periodically compared by management to the operational accounting information?	<input type="radio"/> Y	<input checked="" type="radio"/> N	
18.	Do surety and/or performance bonds cover all employees/officials who handle town funds? (24 VSA §§832, 1234)	<input checked="" type="radio"/> Y	<input type="radio"/> N	
19.	Are surety bonds of a sufficient amount, as prescribed and approved by the selectboard? (24 VSA §832)	<input checked="" type="radio"/> Y	<input type="radio"/> N	
20.	Are authorizations for all bank accounts and check signers updated annually?	<input type="radio"/> Y	<input checked="" type="radio"/> N	

FINANCIAL RECORDS

21.	Is any single individual able to a) <i>authorize</i> a transaction, b) <i>record</i> the transaction in the accounting records and c) maintain <i>custody</i> of the assets resulting from the transaction?	<input checked="" type="radio"/> N	<input type="radio"/> Y	
22.	Is an accounting system in use that allows management to record financial transactions, view the data by category, and create timely reports to maintain accountability for the government's assets?	<input checked="" type="radio"/> Y	<input type="radio"/> N	
23.	Are detailed cash receipts journals maintained? (24 VSA §1571(a))	<input checked="" type="radio"/> Y	<input type="radio"/> N	
24.	Are detailed cash disbursement journals maintained? (24 VSA §1571(a))	<input checked="" type="radio"/> Y	<input type="radio"/> N	
25.	Are selectboard records (if separate records other than orders are kept) reconciled with treasurer's records monthly?	<input type="radio"/> Y	<input type="radio"/> N	N/A
26.	Are the general ledger and its subsidiary ledgers kept up to date and reconciled monthly?	<input checked="" type="radio"/> Y	<input type="radio"/> N	
27.	Is a chart of accounts used?	<input checked="" type="radio"/> Y	<input type="radio"/> N	
28.	Are records properly guarded from fire, theft and manipulation?	<input checked="" type="radio"/> Y	<input type="radio"/> N	
29.	Is computerized data backed up daily and source documents retained until backup?	<input checked="" type="radio"/> Y	<input type="radio"/> N	
30.	Is a copy of electronic data properly stored off-site?	<input checked="" type="radio"/> Y	<input type="radio"/> N	
31.	Are all financial recording documents (receipts, purchase orders) sequentially prenumbered, retained, and accounted for, including spoiled or voided forms?	<input checked="" type="radio"/> Y	<input type="radio"/> N	
32.	Are automatic duplicates of certain forms (receipts & purchase orders) provided to individuals (e.g., vendors, taxpayers, etc.)?	<input checked="" type="radio"/> Y	<input type="radio"/> N	
33.	Is the person who does the bank reconciliation authorized to sign checks?	<input type="radio"/> N	<input checked="" type="radio"/> Y	
34.	Is the bank reconciliation procedure documented?	<input checked="" type="radio"/> Y	<input type="radio"/> N	
35.	Are bank statements reconciled monthly, preferably within 15 days after the statement date?	<input checked="" type="radio"/> Y	<input type="radio"/> N	
36.	Does a responsible official, other than the preparer, review completed bank reconciliations?	<input checked="" type="radio"/> Y	<input type="radio"/> N	
37.	Is the completed bank reconciliation initialed and dated by both the preparer and the reviewer?	<input type="radio"/> Y	<input checked="" type="radio"/> N	
38.	Are the following monthly procedures currently performed: - Reconcile cash accounts? - Reconcile accounts receivable to the detail invoices? - Reconcile payroll withholdings to the payroll reports? - Reconcile accounts payable subsidiary ledger to actual invoices?	<input checked="" type="radio"/> Y <input checked="" type="radio"/> Y <input checked="" type="radio"/> Y <input checked="" type="radio"/> Y	<input type="radio"/> N <input type="radio"/> N <input type="radio"/> N <input type="radio"/> N	

	- Reconcile property tax receipts to property tax receivables?	<input checked="" type="radio"/> Y	<input type="radio"/> N	
39.	Are all adjusting entries to the financial statements approved in writing by management?	<input checked="" type="radio"/> Y	<input checked="" type="radio"/> N	

CASH RECEIPTS

40.	Is receipt of currency adequately controlled until deposited or remitted to the treasurer?	<input checked="" type="radio"/> Y	<input type="radio"/> N	
41.	Is a copy kept of the treasurer's signed and dated endorsement of the tax collector's receipts, payments and any abatements? (24 VSA §§1579, 1580)	<input checked="" type="radio"/> Y	<input checked="" type="radio"/> N	
42.	Have safeguards been provided to prevent officials or employees from cashing checks payable to the town?	<input checked="" type="radio"/> Y	<input checked="" type="radio"/> N	REC BD
43.	Are monies received by one employee, documented and then deposited by another employee?	<input checked="" type="radio"/> Y	<input checked="" type="radio"/> N	" "
44.	Are all monies received by the town turned over intact daily to the person who makes the bank deposit?	<input checked="" type="radio"/> Y	<input checked="" type="radio"/> N	" "
45.	Does the treasurer keep separate accounts of all money received as highway or school taxes? (32 VSA §4791)	<input checked="" type="radio"/> Y	<input type="radio"/> N	
46.	Does the person who handles cash (receipts, bank deposits, purchases) keep the cashbooks / accounting records?	<input checked="" type="radio"/> N	<input checked="" type="radio"/> Y	
47.	Are funds received over the counter controlled by sequentially numbered counter receipts?	<input checked="" type="radio"/> Y	<input type="radio"/> N	

PURCHASING

48.	Are selectboard orders:	<input checked="" type="radio"/> Y	<input type="radio"/> N	No PO SYSTEM
	a. Required for all purchases?	<input checked="" type="radio"/> Y	<input type="radio"/> N	
	b. Signed by a majority of the board and dated?	<input checked="" type="radio"/> Y	<input type="radio"/> N	
49.	Does the treasurer keep a book recording all pay orders (outstanding payables) that are not paid? (24 VSA §1576)	<input checked="" type="radio"/> Y	<input type="radio"/> N	
50.	Are the functions of purchasing goods, receipt of goods, and cash payment for goods performed by separate employees?	<input checked="" type="radio"/> Y	<input type="radio"/> N	
51.	Are:	<input checked="" type="radio"/> Y	<input type="radio"/> N	
	- Checks pre-numbered?	<input checked="" type="radio"/> Y	<input type="radio"/> N	
	- Unused checks controlled?	<input checked="" type="radio"/> N	<input checked="" type="radio"/> Y	
	- Checks prepared and signed by the bookkeeper?	<input checked="" type="radio"/> N	<input checked="" type="radio"/> Y	
	- Checks ever written to "Cash"?	<input checked="" type="radio"/> Y	<input type="radio"/> N	
52.	Are there adequate procedures for controlling the receipt of all goods and services purchased?	<input checked="" type="radio"/> Y	<input type="radio"/> N	
53.	Are materials and supplies inspected for condition and counted when received?	<input checked="" type="radio"/> Y	<input type="radio"/> N	
54.	Does invoice processing include a mathematical check of footings, extensions and discounts?	<input checked="" type="radio"/> Y	<input type="radio"/> N	

CASH DISBURSEMENTS

55.	Are all cash disbursements, except petty cash items, made by check?	<input checked="" type="radio"/> Y	<input type="radio"/> N	
56.	Are pre-numbered checks used?	<input checked="" type="radio"/> Y	<input type="radio"/> N	
57.	If checks are produced manually, is a controlled, mechanical check protector used?	<input checked="" type="radio"/> Y	<input type="radio"/> N	N/A
58.	Are checks produced on an automated financial system?	<input checked="" type="radio"/> Y	<input type="radio"/> N	
59.	Is all investment activity by the treasurer approved by the selectboard	<input checked="" type="radio"/> Y	<input type="radio"/> N	

	and documented? (24 VSA §1571(b))		
60.	Is petty cash handled through a fixed amount account?	Y N	N/A

PAYROLL

61.	Are personnel records (including wages, salaries and deductions) maintained for all employees?	(Y) N	
62.	Are salary and wage rates formally approved in the selectboard's minutes?	(Y) N	
63.	Are methods of accumulating time and recording absences satisfactory?	(Y) N	
64.	Are payroll deductions properly approved and controlled?	(Y) N	
65.	Are withholding taxes remitted properly?	(Y) N	
66.	If the town treasurer is paid a fee for collecting delinquent taxes, does the town maintain a support schedule showing: - The rate or method of calculation for the payment? - Compliance with selectboard guidelines on these payments? (32 VSA §1672)	Y N Y N	N/A

PROPERTY AND EQUIPMENT

67.	Are schedules of fixed assets and depreciation maintained?	(Y) N	
68.	Are periodic inventories taken and compared with the schedules of fixed assets?	(Y) N	
69.	Is all property and equipment purchased or leased with town funds held in the name of the town department?	(Y) N	
70.	Are invoices maintained to support the purchase or lease of equipment?	(Y) N	

NOTES AND INVESTMENTS

71.	Are schedules maintained of all borrowing and investing activities?	(Y) N	
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GRAND LIST AND TAX RECORDS

72.	Is a system used (ideally a tax map) to be certain that all taxable property is included in the grand list?	(Y) N	
73.	Does the delinquent tax collector turn all receipts over to the treasurer so that the collector's fees can be entered into the town's books as wages?	(Y) N	
74.	Does the town have adequate follow-up policies with delinquent taxpayers?	(Y) N	
75.	Does someone other than the tax collector (delinquent or current) reconcile taxes?	(Y) N	

ENTERPRISE FUNDS (Water, Sewer, etc.)

76.	Do accounting practices for enterprise funds follow guidelines listed above for all other town funds?	Y N	N/A
77.	Is the follow-up on delinquent accounts adequate?	Y N	N/A

(a) "VSA" refers to Vermont Statutes Annotated.

References:

1. Various handbooks for Vermont Town Officers, Locally Elected Auditors, Vermont Municipal Clerks, and Collectors of Delinquent Taxes, prepared by the Vermont League of Cities and Towns, Montpelier, VT. 1999.
2. "Evaluating Internal Controls, A Local Government Manager's Guide", S. Gauthier, Government Finance Officer's Association (GFOA), Chicago, Ill., 1996.

Financial Management Questionnaire - Vermont Auditor's Office
Municipal

	Yes	No	Don't know	By whom
Are all town account records currently maintained by one individual?		<input checked="" type="checkbox"/>		
Do you reconcile bank and ledger balances monthly?	<input checked="" type="checkbox"/>			Town Treasurer
Are checks always written to specified payees and not to cash?	<input checked="" type="checkbox"/>			
Does the same individual open the mail and deposit checks?		<input checked="" type="checkbox"/>		
Are pre-numbered checks used for all bank accounts?	<input checked="" type="checkbox"/>			
Are unopened bank statements delivered directly to the treasurer as received?	<input checked="" type="checkbox"/>			
Have you borrowed money from the town?		<input checked="" type="checkbox"/>		
Have selectboard members attended financial trainings?	<input checked="" type="checkbox"/>			
Are bank statements reconciled on a regular basis?	<input checked="" type="checkbox"/>			
Does someone other than the treasurer review bank reconciliations?		<input checked="" type="checkbox"/>		Elected Auditor
Have you deposited town monies anywhere other than a town account?		<input checked="" type="checkbox"/>		
Have you deposited any non-town monies into a town account?		<input checked="" type="checkbox"/>		
Is interest in town accounts apportioned to each account?	<input checked="" type="checkbox"/>			
Have there been any changes in authorized signatures during the fiscal year?		<input checked="" type="checkbox"/>		
Has a signature stamp ever been used for any town account?		<input checked="" type="checkbox"/>		
Has there ever been a theft, or unauthorized use of town funds or equipment?		<input checked="" type="checkbox"/>		
Are financial records maintained in a computerized system?	<input checked="" type="checkbox"/>			
Does the town have written policies and procedures for financial operations?	<input checked="" type="checkbox"/>			
Does each town official have copies of these policies and procedures?	<input checked="" type="checkbox"/>			
Have you attended trainings on recordkeeping?	<input checked="" type="checkbox"/>			
Are checks written by the same individual who approves payments?		<input checked="" type="checkbox"/>		
Are you a participant in any business which does business with the town?		<input checked="" type="checkbox"/>		
Do you maintain separate pages, columns or running balances for each fund?	<input checked="" type="checkbox"/>			
Do elected town auditors attend financial trainings?			<input checked="" type="checkbox"/>	
Are bank accounts and fund balances reconciled on a monthly basis?	<input checked="" type="checkbox"/>			Town Treasurer
Does the town loan money to town employees?		<input checked="" type="checkbox"/>		

As a signer below I certify to the best of my knowledge that the answers provided in this self-assessment questionnaire are an accurate representation of the operation of the Town/City of: EAST MONTPELIER, Vermont.

Preparer: (signature) Donald B. Welch (printed name): Donald B. Welch Title: Town Treasurer