**Manager's Quick Check**

**Assessment of Internal Control**

Management throughout an entity is responsible for establishing an internal control system that helps each unit achieve its mission, accomplish its goals, minimize risks, and continuously adapt to change. An effective internal control system is the mechanism through which management safeguards Federal funds and maximizes the value of every dollar.

Internal control comprises the plans, methods, policies, and procedures used to fulfill the mission, strategic plan, goals, and objectives of the Department. Internal control is not one event, but a series of actions that occur throughout the entity’s operations. As a result, controls exist both entity-wide and office/unit-specific (e.g., segregation of duties). In both cases, controls are most effective when fully integrated into the business processes management uses to guide its operations rather than seen as separate activities. To achieve success, all managers need to (1) be knowledgeable about, and support, entity-wide controls, and (2) implement practical and effective internal controls specific to their particular office/unit.

An entity’s objectives and related risks can be broadly classified into one or more of the following three categories:

* Efficiency and effectiveness of operations
* Reliability of reporting
* Compliance with laws and regulations

The following checklist provides a starting point for managers to assess the internal control system within their particular office/unit. Please note that some of the controls listed in the checklist may be inapplicable to some offices/units. The value of the checklist lies in its brevity, so long as it is completed with a critical eye.

Organization of the checklist is consistent with the five interrelated components of internal control defined by the GAO Green Book.



Answer the questions below using the 5 to 1 scale, where **5 means Completely Agree** and **1 means Completely Disagree**

| **AQuick Check Questions** | **5** | **4** | **3** | **2** | **1** |
| --- | --- | --- | --- | --- | --- |
| Management understands the entity’s policies covering potential conflicts of interest and appropriate use of entity resources. Management sets a good example and regularly communicates high expectations regarding integrity and ethical values. |  |  |  |  |  |
| The office/unit has an organizational chart that clearly identifies lines of reporting. The organizational chart is up to date and regularly updated.  |  |  |  |  |  |
| The office has written policies and procedures related to all significant administrative processes specific to its operations. These policies and procedures are up to date and regularly reviewed/updated. |  |  |  |  |  |
| All employees, including managers, are aware of their job responsibilities. Management is aware of the competency levels of all employees related to the specific grant program(s) for which the office/unit is responsible.  |  |  |  |  |  |
| Management insists on full and open disclosure of financial or business issues with all employees. Exceptions to office policy occur infrequently, and when they occur they must be approved and documented. |  |  |  |  |  |
| Decision-making processes are deliberate and consistent. Policies and procedures are in place to ensure appropriate levels of management are involved. |  |  |  |  |  |
| The office/unit has written short- and long-range plans as well as a written mission statement that has been distributed to all employees. The office/unit has written objectives that include measurement criteria. Objectives were developed with input from employees at all levels. |  |  |  |  |  |
| The office/unit engages in a formal, repeatable process to identify and consider the implications of external risk factors (e.g., new or changed regulations) and internal risk factors (e.g., new personnel) on office/unit-wide objectives and plans. |  |  |  |  |  |
| Management promotes continuous improvement and solicits input and feedback from employees at all levels regarding issues that may impact the entire office. |  |  |  |  |  |
| For all major initiatives, management regularly reviews actual performance and compares it to objectives and budgets/forecasts, as well as to historic performance. Performance reviews of specific functions or activities (e.g., determinations of allowability, etc.) are regularly conducted and unexpected results or unusual trends are investigated. |  |  |  |  |  |
| Financial duties are segregated among different people. Assets (e.g., equipment) are physically secured and periodically counted. All employees understand which records they must maintain and the required retention period.  |  |  |  |  |  |
| Management ensures all employees receive relevant information regarding grant requirements/conditions, legislation, regulatory developments, economic changes or other external factors that may affect the office/unit.  |  |  |  |  |  |
| Management promotes and fosters trust between employees, supervisors, and other offices. Employees are encouraged to provide recommendations for improvement. Ideas are recognized and rewarded. |  |  |  |  |  |
| Standards and expectations are communicated to key outside entities and individuals (e.g., vendors, consultants, contractors, sub-recipients). Information is openly shared with outside evaluators. |  |  |  |  |  |
| Management routinely spot-checks transactions, monitoring files, records, and reconciliations to ensure expectations are met. Budgets are compared to actual results and deviations are followed up on a timely basis.  |  |  |  |  |  |
| Information provided by external auditors about control-related matters are considered and acted on at high levels. Findings are considered and immediately acted upon, and timely corrective action is taken. |  |  |  |  |  |
| Management periodically assesses employee attitudes, reviews the effectiveness of the organization structure, and evaluates the appropriateness of policies and procedures. Internal controls are subject to a formal and continuous internal assessment process.  |  |  |  |  |  |