

## Internal Controls/Standards for Financial Management

(Page 1)

| Accounting System  | YES | NO | N/A | Comments |
|--|-----|----|-----|----------|
| <p>1. Are the duties of accounting personnel of the organization defined in:</p> <p>a. in a written policy manual?</p> <p>b. by job description?</p> <p>c. Are fidelity bonds in place?</p>  |     |    |     |          |
| <p>2. Is there a chart for:</p> <p>a. the accounting department?</p> <p>b. the Agency?</p>   |     |    |     |          |
| <p>3. Accounting Manual</p> <p>a. Does the manual define who has approval authority and any limits of authority.</p> <p>b. Provide guidelines for controlling expenditures.</p> <p>c. A chart of Accounts</p>  |     |    |     |          |
| <p>4. Does the accounting system provide for:</p> <p>b. Documenting and recording the non-Federal share and in-kind contributions?</p> <p>c. Accumulating and recording expenditures by budget cost category and by grant?</p> <p>d. Are monthly financial statements prepared?</p> <p>Balance sheet<br/>Revenue/expenditures<br/>Comparison of budget to expenditures</p> |     |    |     |          |
| <p>5. Does the organization prepare audited financial statements and have A-133 audit conducted annually?</p>  |     |    |     |          |
| <p>6. Has the A-133 audit report been submitted in accordance with A-133 timelines?</p>  |     |    |     |          |
| <p>7. Does the organization have a written allocation plan for indirect costs and/or a negotiated cost rate?</p>   |     |    |     |          |

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|---|--|--|--|--|
| <p>8. Are there written procedures maintained for governing the maintenance of accounting records?</p> <p>a. reconciliation of subsidiaries to control accounts?</p> <p>b. journal entries are approved and explained with supporting documentation?</p> <p>c. Approval authority of journal entries?</p> <p>d. Transactions dated for the date of entry into the system?</p> <p>e. Accrual accounts provide adequate control over income and expense?</p> <p>f. Accounting records and valuables are secured in a limited-access area?</p> |  |  |  |  |
|---|--|--|--|--|

## Internal Controls/Standards for Financial Management

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| Cash Disbursements   | YES | NO | N/A | Comments |
|--|-----|----|-----|----------|
| 1. Are duties adequately separated?<br>a. To prepare checks?<br>b. To sign checks?<br>c. Reconcile bank accounts?<br>d. Assign G/L account number?<br>e. Have access to cash receipts? |     |    |     |          |
| 2. All disbursements are properly supported by evidence of receipt and approval of the related goods and services.   |     |    |     |          |
| 3. Blank Checks are accounted for and blank checks are not signed in advance.  |     |    |     |          |
| 4. Un-issued checks kept in a secure area.   |     |    |     |          |
| 5. Bank accounts are reconciled monthly.   |     |    |     |          |
| 6. Bank accounts and check signers are authorized by the board of directors or trustee.  |     |    |     |          |
| 7. Is a check signing machine used?  |     |    |     |          |
| 8. Who has access to this machine?   |     |    |     |          |
| 9. Are keys for signature plate controlled?  |     |    |     |          |
| 10. Is a log maintained for the check protector utilized?  |     |    |     |          |
| 11. Is authority for a check to be signed, delegated to someone not authorized to sign checks?   |     |    |     |          |
| 12. Have parameters been established by the authorized check signers for such use?   |     |    |     |          |

## Internal Controls/Standards for Financial Management

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| Budgetary Controls   | YES | NO | N/A | Comments |
|--|-----|----|-----|----------|
| 1. Does the organization have and use an operating budget to control program funds?  |     |    |     |          |
| 2. Are there budgetary controls in effect to preclude incurring obligations in excess of (e.g., comparison of budget with actual expenditures on a monthly basis):<br>a. total funds available for an award?<br>b. total funds available for a budget cost category? |     |    |     |          |

| Consultants  | YES | NO | N/A | Comments |
|--|-----|----|-----|----------|
| 1. Are there written policies or consistently followed procedures regarding the use of consultants which detail at a minimum: (Obtain a copy):<br>a. Circumstances under which consultants may be used?<br>b. Consideration of in-house capabilities to accomplish services before contracting for them?<br>c. Requirement for solicitation or bids from several contract sources to establish reasonableness of cost and quality of services to be provided?<br>d. Consulting rates, per diem, etc? |     |    |     |          |
| 2. Are consultants required to sign "consulting agreements" outlining services to be rendered, duration of engagement, reporting requirements, and pay rates?  |     |    |     |          |

## Internal Controls/Standards for Financial Management

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| <b>Property Management</b>   | <b>YES</b> | <b>NO</b> | <b>N/A</b> | <b>Comments</b> |
|--|------------|-----------|------------|-----------------|
| 1. Are equipment records maintained in accordance with 45 CFR 74.34?   |            |           |            |                 |
| 2. Equipment Records include:<br>Description<br>Serial #<br>Source of funds/grant number<br>Title vests recipient/federal<br>Acquisition date<br>Location/condition<br>Unit acquisition cost |            |           |            |                 |
| 3. Physical inventory every two years  |            |           |            |                 |
| 4. Reconciled with equipment records   |            |           |            |                 |
| 5. maintenance procedures  |            |           |            |                 |

## Internal Controls/Standards for Financial Management

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| Purchases   | YES | NO | N/A | Comments |
|---|-----|----|-----|----------|
| 1. Does the organization have written purchasing procedures? If not, briefly describe how purchasing activities are handled. (Obtain a copy of policy or procedure)   |     |    |     |          |
| 2. Do the purchasing procedures provide for:<br>a. Pre-numbered purchase orders?<br>b. Procedures to insure procurements are competitive prices?<br>c. Invoices are matched with purchase orders and receiving reports?<br>d. A segregation of duties in that different individuals are responsible for:<br>1. Purchase<br>2. receipt of merchandise or services<br>3. voucher approval<br>e. Is there a pre set \$ threshold for obtaining bids?<br>f. Are there bid procedures in place, approved by the board?<br>g. Who is authorized to solicit bids, approve bids?<br>Are bid packages retained on file for audit purposes? |     |    |     |          |
| 3. Conflict of interest policy for vendors, consultants, etc. (Board members, purchasers, selecting and awarding officials).  |     |    |     |          |

## Internal Controls/Standards for Financial Management

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| Travel  | YES | NO | N/A | Comments |
|---|-----|----|-----|----------|
| <p>1. Does the organization have formal travel policies or consistently followed procedures which, at minimum, state that: (Obtain a copy or describe procedure)</p> <p>a. Travel charges are reimbursed based on actual costs incurred or by use of per diem and/or mileage rates?</p> <p>b. Receipts for lodging and meals are required when reimbursement is based on actual cost incurred?</p> <p>c. Per diem rates include reasonable dollar limitations? Subsistence and lodging rates are comparable to Federal per diem rates and current Federal mileage rates for personal auto use? (If not, obtain organization travel rates policy.)?</p> <p>d. Commercial transportation costs are incurred at coach fares unless first class is adequately justified?</p> <p>e. Travel requests are approved prior to occurrence?</p> <p>f. Travel expenses reports show purpose of trip? (obtain a copy of policy or describe procedure.)</p> |     |    |     |          |

## Internal Controls/Standards for Financial Management

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| Credit cards   | YES | NO | N/A | Comments |
|--|-----|----|-----|----------|
| 1. Does the organization have internal procedures to control the use of organizational credit cards, access to credit cards, and prohibit any personal expenditures? |     |    |     |          |
| 2. Do policies require prior approval of expenditures, documentation of amounts charged and limit the amount and types of expenses that can be incurred.             |     |    |     |          |

| Program or Grant-Related Income   | YES | NO | N/A | Comments |
|---|-----|----|-----|----------|
| <p>1. Does the organization have written policies and procedures relating to program or grant-related income? (If yes, proceed below)</p> <p>a. Does the applicant maintain records of the earning, receipt, and disposition of program or grant-related income for which it is accountable?</p> <p>b. Does the program or grant-related income account identify the type and source of income producing services?</p> <p>c. Is a management system in effect that adequately identifies program or grant-related income for each Government project?</p> <p>d. Is there a system to properly dispose of program or grant-related income?</p> <p>e. Are there any financial statements available issued by an independent accounting firm which identify the source and disposition of program or grant-related income?</p> |     |    |     |          |

## Internal Controls/Standards for Financial Management

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| Audit Report  | YES | NO | N/A | Comments |
|---|-----|----|-----|----------|
| 1. Opinion on the financial statements.   |     |    |     |          |
| 2. Financial statements and notes thereto.  |     |    |     |          |
| 3. Schedule of expenditures of federal awards.  |     |    |     |          |
| 4. Report on compliance and internal control over financial reporting based on an audit of financial statements performed in accordance with Government Auditing Standards.       |     |    |     |          |
| 5. Report on compliance with requirements applicable to each major program and internal controls over compliance in accordance with OMB Circular A-133.                           |     |    |     |          |
| 6. Schedule of findings and questioned costs, including a summary of the auditor's results (See Note 1).  |     |    |     |          |
| 7. Summary schedule of prior audit findings (See Note 1).   |     |    |     |          |
| 8. Data collection form (A-133).  |     |    |     |          |
| 9. Additional report on immaterial noncompliance and other items not required to be reported according to A-133 (management letter) or assurance one was not issued (See Note 1). |     |    |     |          |
| 10. Agency's response/corrective action plan for each audit issue.  |     |    |     |          |

## Internal Controls/Standards for Financial Management

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| Non-Federal Shares   | YES | NO | N/A | Comments |
|--|-----|----|-----|----------|
| 1. The good or service is necessary, reasonable, allocable and allowable. (Basic Cost Principles, reference OMC Circulars A-21, A-87, A-122).  |     |    |     |          |
| 2. The good or service supports an activity that is included in the program plan and covered by the Head Start Program Performance Standards.  |     |    |     |          |
| 3. The good or service is something on which the program could legally and appropriately spend Federal dollars.  |     |    |     |          |
| 4. The good or service is something on which the program would normally spend Federal dollars.   |     |    |     |          |
| 5. The service is performed by the donor for the program, not by the program for the recipient (especially important in evaluating allowability of parent volunteer hours). Cash is converted to a good or service. (Cash becomes non-Federal share when it is spent on an allowable program cost and is recorded as non-Federal share when the goods or services are purchased, not when the cash is received.) |     |    |     |          |
| 6. Any Program Income generated and approved for use by the program must be generated and used in the budget year during which it was generated and is not counted as non-Federal share.   |     |    |     |          |
| 7. The amount of non-Federal share generated equals or exceeds the amount specified in the grant application (usually 20 percent of total obligational authority (TOA), less if approved waiver, more if more was included in the grant proposal and approved in the grant award).   |     |    |     |          |
| 8. The good or service was provided during the applicable project period.  |     |    |     |          |
| 9. To the extent possible, non-Federal share is generated and documented proportionate to the expenditure of Federal funds.  |     |    |     |          |
| 10. Source documentation exists in sufficient detail to support the claim of the good or service as non-Federal share.   |     |    |     |          |

## Internal Controls/Standards for Financial Management

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|---|--|--|--|--|
| 11. Services are valued similarly to the wages and benefits paid for a similar service performed by program or agency staff.  |  |  |  |  |
| 12. Where no similar service function or job exists in the program or agency, services are valued based on documented wage and benefits rates for similar services performed in the community at large.   |  |  |  |  |
| 13. Value lies in the service performed, not in the person performing the service.  |  |  |  |  |
| 14. Goods are valued at a rate consistent with their market value in the service area.  |  |  |  |  |
| 15. Discounts for goods or services are claimed only if those discounts are not available to the general public.  |  |  |  |  |
| 16. Valuations for donations of space are supported by up-to-date, written professional appraisals.   |  |  |  |  |
| 17. Time spent by parents or other volunteers on fundraising is not claimed as non-Federal share.   |  |  |  |  |
| 18. Funds used for non-Federal match in one program are not used for match in another program.  |  |  |  |  |
| 19. Except in special circumstances where allowed by statute, Federal funds cannot be used for match for other Federal funds. (Statutes allowing Federal funds to be claimed as part of a matching requirement include the Community Development Block Grant and the Indian Self Determination and Education Assistance Act.) |  |  |  |  |

| Vacancies and Impact of Chronic Under-enrollment   | YES | NO | N/A | Comments |
|--|-----|----|-----|----------|
| 1. Vacancies are filled in a timely fashion.   |     |    |     |          |
| 2. Turnover rates are reasonable.  |     |    |     |          |
| 3. Funds remaining from unfilled vacancies are not routinely used to fund recurring costs. |     |    |     |          |

## Internal Controls/Standards for Financial Management

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| Payroll/Personnel Internal Controls   | YES | NO | N/A | Comments |
|---|-----|----|-----|----------|
| <p>1. Is employment properly authorized?</p> <p>a. Type of document</p> <p>b. Approved by?</p> <p>c. Assignment of employee position, cost center</p> <p>d. What is the distribution of the authorization form?</p>   |     |    |     |          |
| <p>2. Is separation/termination of employment immediately reported to the payroll department?</p> <p>a. By who?, increases, decreases, insurance, pension</p> <p>b. Type of document</p> <p>c. Approved by?</p> <p>d. Who gets a copy?</p>  |     |    |     |          |
| <p>3. Are changes in payroll properly authorized?</p> <p>a. Withholding, increases, decreases, insurance, pension</p> <p>b. Who authorizes changes?</p> <p>c. Who authorizes changes to payroll?</p> <p>d. Once being authorized, how long before changes go into effect.</p> <p>e. Does someone, other than payroll staff, approve payroll prior to issuances of payroll checks?</p> |     |    |     |          |
| <p>4. Once an employee's benefit withholding is deducted from their payroll, how long will it be before payment is made to the appropriate vendor?</p> <p>a. Who makes the payment?</p> <p>b. Who What type of document is utilized?</p>  |     |    |     |          |
| <p>5. Are original time records properly prepared and approved by supervisors?</p>  |     |    |     |          |

## Internal Controls/Standards for Financial Management

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|   |  |  |  |  |
|---|--|--|--|--|
| 6. Are the payroll records regularly compared with the records of the personnel department?   |  |  |  |  |
| 7. How are payroll checks distributed to employees?   |  |  |  |  |
| 8. Who reconciles the payroll checking account?   |  |  |  |  |
| 9. Who prepares the quarterly payroll tax reports, reconciles payroll to quarterly reports to annual W-2 figures?   |  |  |  |  |
| 10. Who signs the payroll checks? Is it consistent with other authorized check signers?   |  |  |  |  |
| 11. Did the reviewer obtain a listing from the Personnel department of all employees?   |  |  |  |  |
| 12. Did the reviewer obtain a printout of the bi-weekly (or the Agency basis) payroll, to include, by the pay period: hours worked, gross pay, deductions, net pay amount and the cost center charged (obtain at least two from each year in question)? |  |  |  |  |
| 13. Did the reviewer obtain a copy of the latest wage & salary comparability study?   |  |  |  |  |

## Internal Controls/Standards for Financial Management

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| Personnel Policies   | YES | NO | N/A | Comments |
|--|-----|----|-----|----------|
| <p>1. Are personnel policies established in writing which include as appropriate the following: (obtain a copy)</p> <p>a. Duties and responsibilities of each employee's position?</p> <p>b. Qualifications for each position?</p> <p>c. Salary ranges associated with each job?</p> <p>d. Promotion policy?</p> <p>e. Equal employment opportunities?</p> <p>f. Annual performance appraisals?</p> <p>g. Types and levels of fringe benefits paid to professionals, nonprofessionals, officers, or governing board members?</p> <p>h. Drug Free Workplace Act - details regarding employees responsibilities and requirements/consequences.</p> |     |    |     |          |
| <p>2. Does the organization maintain daily attendance records for hourly employees? (Is this a 'positive' recording system showing actual time and attendance performed?)</p>  |     |    |     |          |
| <p>3. Does the agency designate appropriate staff to sign and certify work performed in item 2? (Obtain copies of documents and/or forms used on those items.)</p>   |     |    |     |          |
| <p>4. Does the agency have a policy requiring employees to disclose outside employment/consulting?</p>   |     |    |     |          |

## Internal Controls/Standards for Financial Management

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| Documentation for Compensation  | YES | NO | N/A | Comments |
|---|-----|----|-----|----------|
| 1. Salaries and wages are assigned to appropriate projects and supported by personnel activity reports (except when a substitute system has been approved in writing by the cognizant agency).  |     |    |     |          |
| 2. Reports reflecting the distribution of activity of each employee are maintained for all staff members (professionals and nonprofessionals) whose compensation is charged, in whole or in part, directly to the Head Start or Early Head Start program.   |     |    |     |          |
| 3. To support the allocation of indirect costs, activity distribution reports are also maintained for other employees whose work involves two or more functions or activities if a distribution of their compensation between such functions or activities is needed in the determination of the organization's indirect cost rate(s) (e.g., an employee engaged part-time in indirect cost activities and part-time in a direct function). |     |    |     |          |
| 4. Reports reflect an after-the-fact determination of the actual activity of each employee. [Note: Budget estimates determined before the services are performed do not qualify as support for charges to awards.]  |     |    |     |          |
| 5. Reports account for the total activity for which employees are compensated and which is required in fulfillment of their obligations to the organization.  |     |    |     |          |
| 6. Reports are prepared at least monthly and coincide with one or more pay periods.   |     |    |     |          |
| 7. Charges for the salaries and wages of nonprofessional employees (i.e., non-exempt employees) are supported by records indicating the total number of hours worked each day maintained in conformance with Department of Labor regulations implementing the Fair Labor Standards Act (29 CFR Part 516).   |     |    |     |          |
| 8. Salaries and wages of employees used in meeting cost sharing or matching requirements on awards are supported in the same manner as salaries and wages claimed for reimbursement from ACF.   |     |    |     |          |

## Internal Controls/Standards for Financial Management

(Page 16)

| Wage Comparability  | YES | NO | N/A | Comments |
|---|-----|----|-----|----------|
| 1. A thorough, up-to-date wage comparability survey supports the grantee agency's wage and salary structure.  |     |    |     |          |
| 2. The wage comparability survey includes relevant wage data from the grantee's service area, neighboring areas and/or other nearby areas with similar labor market characteristics.  |     |    |     |          |
| 3. Wage comparability data from outside the grantee's service area (e.g., across a state or even across a region) is viewed in the context of the labor markets, cost of living, etc. of those areas in relation to those same factors in the grantee's service area. |     |    |     |          |
| 4. The wage comparability survey includes appropriate comparisons (e.g., public school teachers with bachelor's degrees are not used to establish comparability for Head Start teachers with CDAs).   |     |    |     |          |
| 5. Comparability data is reported as hourly wages to ensure accurate comparisons.   |     |    |     |          |
| 6. An adequate number of cases is used to establish comparability for most grades, classes or levels in the classification system. (Rule of thumb: at least ten cases.)   |     |    |     |          |
| 7. The wage comparability study is current or has been updated within three to five years.  |     |    |     |          |
| 8. The wage comparability data reflects compensation in other publicly funded human services programs, or at least a reasonable mix of public and private sector human services salaries.   |     |    |     |          |
| 9. The wage comparability studies considers factors like the type of organization, scope of responsibility, program size and budget, and qualifications (i.e., level of education and experience) of job incumbents.  |     |    |     |          |
| 10. Final wage decisions include consideration of comparability of salary, benefits and other perks.  |     |    |     |          |
| 11. The agency's can articulate the rationale for its compensation decisions.   |     |    |     |          |
| 12. Salaries and wages are not higher than those paid to individuals providing substantially similar services in the area.  |     |    |     |          |

## Internal Controls/Standards for Financial Management

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| Wage and Salary Administration   | YES | NO | N/A | Comments |
|--|-----|----|-----|----------|
| 1. Salaries and wages paid and total personnel costs are consistent with what the grantee agency proposed and was approved in its grant application.   |     |    |     |          |
| 2. Salaries and wages paid are consistent with the grantee agency's salary scale.  |     |    |     |          |
| 3. Salaries and wages are reasonable taking into account wage comparability information, the responsibilities of the position, and the qualifications of the employee.                                     |     |    |     |          |
| 4. Each position is classified as exempt or non-exempt as defined by the Fair Labor Standards Act.   |     |    |     |          |
| 5. Non-exempt employees receive properly calculated overtime pay.  |     |    |     |          |
| 6. Non-exempt employees are paid for overtime, not awarded "comp time." (Except in public agencies where comp time at time-and-a-half is allowable.)   |     |    |     |          |
| 7. All employees receive at least minimum wage.  |     |    |     |          |
| 8. Less than twelve month employees whose salaries are spread over a year receive at least minimum wage for each hour worked during each pay period.   |     |    |     |          |
| 9. A position classification system groups positions with similar qualifications and levels of responsibility for wage and salary administration purposes.   |     |    |     |          |
| 10. The position classification system is pegged to the agency's or program's salary scale.  |     |    |     |          |
| 11. Position classifications and the salary scale ensure fair and consistent wage and salary administration.   |     |    |     |          |
| 12. Preference in awarding salary increases is granted to classroom teachers and staff who obtain additional training or education related to their responsibilities as employees of a Head Start program. |     |    |     |          |
| 13. Criteria for incentive pay are clearly defined and pay not related to performance (i.e., bonuses) is not awarded.  |     |    |     |          |

## Internal Controls/Standards for Financial Management

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| Compensation Policies and Procedures   | YES | NO | N/A | Comments |
|--|-----|----|-----|----------|
| 1. Agency policies and procedures clearly define fringe benefits.  |     |    |     |          |
| 2. Agency policies and procedures clearly define provisions for performance awards (e.g., incentive pay, performance-based compensation, and non-cash awards), if applicable.  |     |    |     |          |
| 3. Compensation policies are applied consistently across the organization.   |     |    |     |          |
| 4. When the Federal government grants funds specifically for the improvement of salary and wages those increases are granted to Head Start personnel regardless of whether or not funds are available to provide similar increases to employees who perform non-Head Start services. |     |    |     |          |
| 5. Written policies include position descriptions addressing roles and responsibilities, relevant qualifications, salary range, and employee benefits.   |     |    |     |          |

## Internal Controls/Standards for Financial Management

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| Compensation Policies and Procedures   | YES | NO | N/A | Comments |
|--|-----|----|-----|----------|
| 1. Employees are actually paid what is reported.   |     |    |     |          |
| 2. Head Start employees received across the board COLA increases at least at the percentage specified in the funding guidance from ACF for the current program year.   |     |    |     |          |
| 3. In cases where employees did not receive the prescribed COLA, an up-to-date, relevant wage comparability survey reveals that providing a cost-of-living increase would result in a salary exceeding comparability.  |     |    |     |          |
| 4. If the COLA increase was not reflected in the initial refunding, retroactive COLA increases were granted or an across the board increase of at least the COLA requirement was given at the beginning of the program year.   |     |    |     |          |
| 5. Funds specifically allocated and awarded for improvements in salaries and fringe benefits are used exclusively for that purpose unless some deviation from that requirement was requested and approved; documentation exists regarding why the requirement was not addressed. |     |    |     |          |
| 6. Time sheets are signed by employee or by a responsible supervisory official who has first hand knowledge of the activities performed by the employee.   |     |    |     |          |
| 7. Time sheets are consistent with actual pay.   |     |    |     |          |

## Internal Controls/Standards for Financial Management

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| Administrative Cost (15%)  | YES | NO | N/A | Comments |
|--|-----|----|-----|----------|
| 1. The salaries and benefits of employees engaged in the management functions of accounting, budgeting, coordination, direction, and planning, as well as the management of payroll, personnel, property and purchasing and those who support their work (e.g., clerks, secretaries) are included in administrative costs. |     |    |     |          |
| 2. Administrative personnel costs include the janitor/custodian for administrative office space.   |     |    |     |          |
| 3. Administrative personnel costs include costs associated with volunteers carrying out administrative functions.  |     |    |     |          |

| Taxes, Premiums, Contributions  | YES | NO | N/A | Comments |
|---|-----|----|-----|----------|
| 1. All employee withholding and other taxes are paid on a timely basis.   |     |    |     |          |
| 2. All premiums are paid prior to their due dates.  |     |    |     |          |
| 3. Employer contributions to pension plans are made on a timely basis.  |     |    |     |          |
| 4. Dollars withheld from employees' pay checks are used only to pay the taxes and premiums and make the contributions for which they were intended. |     |    |     |          |
| 5. IRS reports have been properly completed and filed with the IRS (IRS 990, 941 and 1099).   |     |    |     |          |

## Internal Controls/Standards for Financial Management

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| Benefits Administration   | YES | NO | N/A | Comments |
|---|-----|----|-----|----------|
| 1. Fringe benefits are applied consistently to all employees in a particular classification.  |     |    |     |          |
| 2. Agency benefits include both health insurance and retirement or pension programs.  |     |    |     |          |
| 3. Organization-furnished vehicles are not available to employees for personal use.   |     |    |     |          |
| 4. Use of agency credit cards by staff is tightly controlled.   |     |    |     |          |
| 5. Agency credit cards are never used by employees to cover personal expenses.  |     |    |     |          |
| 6. Entertainment costs are incurred only as incidental expenses in conjunction with other activities contributing to employee morale, health and welfare, professional development, community involvement or service, employee recognition, and other program related functions.  |     |    |     |          |
| 7. Leave obligations are calculated, potential liability is assessed, and leave recorded on the books is charged to the appropriate grant.  |     |    |     |          |
| 8. When leave accruals from grant year to grant year are allowed, year end and other periodic entries are made to financial statements for accrued leave.   |     |    |     |          |
| <p><i>Fraud may be perpetrated through payroll by padding the earnings of employees, by overfooting the payroll records, by padding the payroll with fictitious employees, by leaving ex-employees on the payroll, by keeping unclaimed wages, and by failing to record deductions from employees' wages.</i></p> <p><i>Payroll procedures involve hiring, keeping a record for each employee of the time worked and not worked, computing the periodic pay, individually and in total. Payroll manipulation may be accomplished by one person alone, if precautions are not taken. Even with proper safeguards, the collusion of two or more employees makes fraud comparatively easy.</i></p> |     |    |     |          |