Internal Control Questionnaire and Assessment

2 CFR § 200.303 (a) of the Uniform Administrative Requirements, Cost Principles, and Audit Requirement for Federal Awards, states that the non-Federal entity must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United States and the "Internal Control Integrated Framework," issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Internal Control Primer—Basics of Internal Control

In 1992, the Committee of Sponsoring Organizations (COSO)[1] of the National Commission on Fraudulent Financial Reporting (also known as the Treadway Commission) published a document called: *Internal Control – Integrated Framework,* which defined internal control as "a process, effected by an entity's board of directors, management and other personnel, designed to provide reasonable assurance regarding the achievement of objectives" in three categories:

1. Effectiveness and efficiency of operations
2. Reliability of financial reporting, and
3. Compliance with applicable laws and regulations

Internal control can be judged as effective in each of these categories if the board of directors and management have reasonable assurance that:

1. They understand the extent to which the entity's operations objectives are being achieved.
2. Published financial statements are being prepared reliably.
3. Applicable laws and regulations are being complied with.

The COSO Framework went on to say that internal control consists of five interrelated components as follows:

[1] The Committee of Sponsoring Organizations consists of the American Institute of CPAs (AICPA), the Institute of Management Accountants (IMA), the Institute of Internal Auditors (IIA), Financial Executives International (FEI), and the American Accounting Association (AAA).

1. *Control environment*. Sometimes referred to as the "tone at the top" of the organization, meaning the integrity, ethical values and competence of the entity's people, management's philosophy and operating style, the way management assigns authority and responsibility, organizes and develops its people, and the attention and direction provided by the board of directors. It is the foundation for all other components of internal control, providing discipline and structure.

2. *Risk assessment*. The identification and analysis of relevant risks to achieve the objectives which form the basis to determine how risks should be managed. This component should address the risks, both internal and external, that must be assessed. Before conducting a risk assessment, objectives must be set and linked at different levels.

3. *Control activities.* Policies and procedures that help ensure that management directives are carried out. Control activities occur throughout the organization at all levels in all functions. These include activities like approvals, authorizations, verifications, reconciliations, reviews of operating performance, security of assets and segregation of duties.

4. *Information and communication.* Addresses the need in the organization to identify, capture and communicate information to the right people to enable them to carry out their responsibilities. Information systems within the organization are key to this element of internal control. Internal information, as well as external events, activities and conditions must be communicated to enable management to make informed business decisions and for external reporting purposes.

5. *Monitoring.* The internal control system must be monitored by management and others in the organization. This is the framework element that is associated with the internal audit function in the company, as well as other means of monitoring such as general management activities and supervisory activities. It is important that internal control deficiencies be reported upstream, and that serious deficiencies are reported to top management and the board of directors.

Subsequent sections of this document emphasize the "17 Principles" of internal control developed by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and presented in the Internal Control – Integrated Framework (2013). The five components of internal control listed above are basically identical to the five standards of internal control and reflect the same concepts that the "Standards for Internal Control in the Federal Government" utilizes.

The principles are reflected in groupings of questions related to major areas of control focus within the organization. Each question represents an element or characteristic of control that is or can be used to promote the assurance that operations are executed as management intended.

It should be noted that Tribes/TDHEs (as non-federal entities) may have adequate internal controls even though some or all of the listed characteristics are not present. Tribes/TDHEs could have other appropriate internal controls operating effectively that are not included here. The Tribe/TDHE will need to exercise judgment in determining the most appropriate and cost effective internal control in a given environment or circumstance to provide reasonable assurance for compliance with Federal program requirements.

Completing the Document

On a scale of 1 to 5, with “1” indicating the greatest need for improvements in internal controls and “5” indicating that a strong system of internal controls already exists, select the number that best describes your current operating environment. Please provide details in the comments/explanations field for each statement with a score of 1 or 2.

CONTROL ENVIRONMENT

		Self-Assessment of Policies, Procedures, and Processes					
		Weak				***Strong***	
		1	**2**	**3**	**4**	**5**	**Comments/Explanations**
Principle 1. The organization demonstrates a commitment to integrity and ethical values.							
1.	TRIBE/TDHE management and the board's expectations translate into an organizational statement of beliefs, values, and standards of conduct that the staff exhibit daily.						
2.	TRIBE/TDHE's standards of conduct are communicated and reinforced to all levels of the TRIBE/TDHE.						
3.	Processes are in place to evaluate the performance of staff against expected standards of conduct.						
Principle 2. The board demonstrates independence from management and exercises oversight of the development and performance of internal control.							
4.	The Board /Council define, maintain, and periodically evaluate the skills and expertise needed among its members to enable them to question and scrutinize management's activities and present alternate views.						
5.	How well does the committee that oversees internal control over financial reporting and the integrity and transparency of those reports complete these tasks?						
6.	The board establishes the expectations and evaluates the performance of the chief executive officer or equivalent role.						
Principle 3. Management establishes, with board oversight, structures, reporting lines, and appropriate authorities and responsibilities in the pursuit of objectives.							
7.	The organizational structure is appropriate for the size and complexity of the TRIBE/TDHE.						

8.	Specific lines of authority and responsibility are established to ensure compliance with federal and state laws and regulations.						
9.	The TRIBE/TDHE management/board understands the importance of internal controls, including the division of responsibility.						
Principle 4. The organization demonstrates a commitment to attract, develop, and retain competent individuals in alignment with objectives.							
10.	Regular employee evaluations are documented and shared with employees.						
11.	The TRIBE/TDHE continuously provides mentoring and training opportunities needed to attract, develop, and retain sufficient and competent personnel.						
12.	The TRIBE/TDHE checks credentials, references, and past work experience of potential new hires.						
Principle 5. The organization holds individuals accountable for their internal control responsibilities in the pursuit of objectives.							
13.	The TRIBE/TDHE holds periodic training to ensure employees are aware of their duties pertaining to internal control (e.g. segregation of duties, safeguarding TRIBE/TDHE assets). Training needs are continuously reevaluated.						
14.	Controls and documentation are in place to substantiate that employees have received periodic training and are aware of their duties pertaining to internal controls.						
15.	Disciplinary actions are documented and available for employee review. Where applicable, the TRIBE/TDHE has a documented corrective action program/coaching plan for employees facing disciplinary actions.						

RISK ASSESSMENT

		Self-Assessment of Policies, Procedures, and Processes					
		Weak			***Strong***		
		1	**2**	**3**	**4**	**5**	**Comments/Explanations**
Principle 6. The organization specifies with sufficient clarity to enable the identification and assessment of risks relating to objectives.							
16.	The TRIBE/TDHE specifies objectives with sufficient clarity enabling the identification and assessment of risks that threaten the achievement of those objectives.						
17.	Management uses operational objectives as a basis for allocating the resources needed to attain desired operational and financial performance.						
18.	The TRIBE/TDHE sets entity-wide financial reporting controls and assesses the risks that those controls will not prevent material misstatements, errors, or omissions in the financial statements. Risk acceptance or avoidance is limited to instances where identified risks would not individually or in aggregate result in material misstatements, errors, or omissions.						
Principle 7. The organization identifies risks to the achievement of its objectives across the entity and analyzes risks as a basis for determining how the risks should be managed.							
19.	Management ensures that risk identification considers both internal and external factors and their impact on the achievement of objectives.						
20.	The TRIBE/TDHE adequately and effectively manages risks to the organization and has designed internal controls that mitigate the identified risks.						
21.	The TRIBE/TDHE develops performance indicators for key objectives and monitors the status of the indicators on a regular basis.						

Principle 8. The organization considers the potential for fraud in assessing risks to the achievement of objectives.							
22.	The TRIBE/TDHE periodically performs an assessment of its exposure to fraudulent activity and how the operations could be impacted.						
23.	The TRIBE/TDHE periodically performs an assessment of each of its operating locations potential exposure to fraudulent activity and how the operations could be impacted.						
24.	The TRIBE/TDHE's assessment of fraud risks considers opportunities for unauthorized acquisition, use and disposal of assets, altering the reporting records, or committing other inappropriate acts.						
Principle 9. The organization identifies and assesses changes that could significantly impact the system of internal control.							
25.	The TRIBE/TDHE has mechanisms in place to identify and react to risks presented by changes in government, regulatory, economic, operating, or other conditions that could affect the achievement of the goals and objectives.						
26.	The most significant risks affecting the TRIBE/TDHE have been identified. Describe these significant risks in the comments/explanation section.						
27.	The most significant risks, identified above, have controls designed and implemented that mitigate risks associated with each.						

CONTROL ACTIVITIES

		Self-Assessment of Policies, Procedures, and Processes					
		Weak				*Strong*	
		1	**2**	**3**	**4**	**5**	**Comments/Explanations**
Principle 10. The organization selects and develops control activities that contribute to the mitigation of risks to the achievement of objectives to acceptable levels.							
28.	Management determines which relevant business processes require control activities.						
29.	Management considers control activities at various levels in the TRIBE/TDHE.						
30.	Management segregates incompatible duties, and where such segregation is not practical, management selects and develops alternative control activities.						
Principle 11. The organization selects and develops general control activities over technology to support the achievement of objectives.							
31.	Management selects and develops control activities that are designed and implemented to restrict technology access rights to authorized users commensurate with their job responsibilities and to protect the entity's assets from external threats.						
32.	Management selects and develops control activities over the acquisition, development, and maintenance of technology and its infrastructure to achieve management's objectives.						
33.	The TRIBE/TDHE has a process that requires regular back-up of computer files and testing of the back-up files to ensure proper functionality.						
Principle 12. The organization deploys control activities through policies that establish what is expected and in procedures that put policies into action.							
34.	The TRIBE/TDHE has policies and procedures addressing proper segregation of duties between the authorization, custody, and recordkeeping for the following tasks, if						

CONTROL ACTIVITIES

		Self-Assessment of Policies, Procedures, and Processes					
		Weak				***Strong***	
		1	**2**	**3**	**4**	**5**	**Comments/Explanations**
	applicable: Prepaid Program Items (Participant Support Costs), Cash/Receivables, Equipment, Payables/Disbursements, Procurement/Contracting, and Payroll/Human Resources. For tasks lacking the appropriate segregation of duties describe any compensating controls in place in the comments/explanations section.						
35.	Management performs periodic review of policies and procedures to determine their continued relevance, and refreshes them when necessary.						
36.	The TRIBE/TDHE maintains policies and procedures to facilitate the recording and accounting of transactions in compliance with laws, regulations, and provisions of contracts and grant agreements.						

INFORMATION AND COMMUNICATION

		Self-Assessment of Policies, Procedures, and Processes					
		Weak				*Strong*	
		1	**2**	**3**	**4**	**5**	**Comments/Explanations**
Principle 13. The organization obtains or generates and uses relevant, quality information to support the functioning of other components of internal control.							
37.	Federal, state, or grant program rules or regulations are reviewed with one or more of the following: governing board, audit, finance or other committee.						
38.	The TRIBE/TDHE maintains and follows procedures for record filing, retention, and disposal of accounting records and supporting documentation in accordance with applicable regulations.						
39.	The TRIBE/TDHE's accounting system provides for separate identification of federal grant transactions and non-federal transactions and allocations of transactions that benefit both.						
Principle 14. The organization internally communicates information, including objectives and responsibilities for internal control, necessary to support the functioning of other components of internal control.							
40.	Communication exists between management and the board of directors so that both have information needed to fulfill their roles with respect to the TRIBE/TDHE's objectives.						
41.	The Code of Conduct, or other policies, expressly prohibits override of internal controls by management.						
42.	Management has a process for the development, approval and implementation of policy updates and communicates those updates to staff.						
Principle 15. The organization communicates with external parties regarding matters affecting the functioning of other components of internal control.							
43.	The TRIBE/TDHE has a Whistleblower policy for people to report suspected improprieties regarding fraud; errors in financial reporting, procurement, and contracting; improper use or disposition of equipment; and misrepresentation or false						

INFORMATION AND COMMUNICATION

		Self-Assessment of Policies, Procedures, and Processes					
		Weak			***Strong***		
		1	**2**	**3**	**4**	**5**	**Comments/Explanations**
	statements.						
44.	The TRIBE/TDHE has processes in place to communicate relevant and timely information to external parties.						
45.	The TRIBE/TDHE has processes in place to communicate the results of reports provided by the Independent Auditor, and Federal Awarding Agencies to the Board/Council.						

MONITORING ACTIVITIES		*Self-Assessment of Policies, Procedures, and Processes*					
		Weak				*Strong*	
		1	**2**	**3**	**4**	**5**	**Comments/Explanations**
Principle 16. The organization selects, develops, and performs ongoing and/or separate evaluations to ascertain whether the components of internal control are present and functioning.							
46.	The TRIBE/TDHE periodically evaluates business processes such as cash management, budget to actual results, repayment or reprogramming of interest earnings, draw down of funds, procurement, and contracting activities.						
47.	The TRIBE/TDHE ensures compliance with period of availability requirements.						
48.	TRIBE/TDHE management periodically visits other decentralized locations (including subrecipients) to determine whether policies and procedures are being followed as intended.						
Principle 17. The organization evaluates and communicates internal control deficiencies in a timely manner to those parties responsible for taking corrective action, including senior management and the board of directors, as appropriate.							
49.	The TRIBE/TDHE periodically evaluates internal controls, tests for compliance with federal requirements, and communicates the results of those evaluations to the TRIBE/TDHE's Board/Council.	☐	☐	☐	☐	☐	
50.	The TRIBE/TDHE monitors subrecipients to ensure that federal funds provided are expended only for allowable activities, goods, and services and communicates the monitoring results to the TRIBE/TDHE's Board/Council.	☐	☐	☐	☐	☐	