SOLANO COUNTY

CONTROL
SELF-ASSESSMENT
INSTRUCTIONS

**Fiscal Year
2011/12**

SOLANO COUNTY CONTROL SELF-ASSESSMENT INSTRUCTIONS
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Table of Contents

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Background

The paramount objective for local government is accountability to the public. It is management's responsibility to maintain a strong internal control system to ensure in the achievement of this objective. The Auditor-Controller has developed the Solano County Control Self-Assessment Tool (SCCSA) to assist County departmental management fulfill this responsibility and to improve existing internal controls. The SCCSA allows for departmental management to identify, review, evaluate, and attest to (certifying) the adequacy of internal controls in key areas of a department's fiscal operations. The SCCSA covers the basic controls necessary to ensure in the integrity of a department's fiscal operations in order to meet the objective of accountability.

The following additional background information is provided to assist in the understanding of internal controls and its purposes:

What is Internal Control?

Internal control is broadly defined as a process (i.e., framework), which is intended to provide officials with reasonable assurance that assets of the government are adequately safeguarded, financial transactions are executed as authorized and properly recorded, and that the government's business objectives will be met. While the framework of internal control is a process, its effectiveness depends on its state or condition. An appropriate level of control awareness, attitude, and discipline should exist and each control system should: 1) fit the organization and its operating environment, 2) focus on areas of inherent risk, and 3) achieve a thoughtful balance between control costs and benefits.

Approach

The Auditor-Controller encourages County departments to utilize and complete the Control Self-Assessment Tool to assess and evaluate controls in place. Instructions and Control Self-Assessment Questionnaires are available from our website. Departments can utilize and complete the Questionnaires and can start anytime after the instructions have been read. Once completed, questionnaires should be sent to the Auditor-Controller's Office.

Procedures

The SCCSA consists of six surveys to be completed by the management of each County department. The surveys cover the key fiscal control areas within departments and will enable management to determine whether the controls are in place in their department's operations.

Departmental management should develop and implement improvement plans to address all control weaknesses identified through completing the surveys. To ensure in the effectiveness of the certification process, the following steps are recommended to complete the process:

1. Departmental management should organize the process to make sure it is done efficiently and effectively. Primary considerations for organizing include specific assignment of responsibilities, scheduling the evaluation process, documentation of the findings, quality assurance over the process, and internal reporting. In addition, one manager should be designated as the department's SCCSA Coordinator, who will be the liaison between the department and the Auditor-Controller's audit staff.

2. Departmental management should segment the department into appropriate organizational components (assessable units) to be separately reviewed. The number of assessable units will depend on the department's organization. In identifying assessable units, management should consider segmenting the department's fiscal operations into identifiable units such as divisions, sections, bureaus, etc., which perform significant fiscal operations such as cash collections, payroll, purchasing, etc. For example, in the Central Services Department, the Purchasing Division would be an assessable unit.

   Each assessable unit will not necessarily perform all fiscal functions. For example, Fleet Management may perform fixed assets, inventory and expenditure functions, but no (or minimal) cash or payroll functions. In addition, in performing a fiscal function, an assessable unit may only be affected by specific internal controls (e.g., in the payroll function the unit may only be affected by some timekeeping and warrant/notice controls).

   In these situations, the applicable control areas should be identified and reviewed. Assessable units should only complete those surveys that cover the fiscal functions for which they are responsible.

3. Departmental management should assign responsibility for each assessable unit to appropriate managers to complete the verification process. For example, if each location is defined as an assessable unit, the office head at each location should generally be responsible for ensuring that the process is completed at that location.

   The responsible manager for each assessable unit may be designated as the "verifier," i.e., the person performing the verification process (**see step 6**), or his/her assistant if they are not involved in the procedures being evaluated. For example the verification of cash controls could be performed by an accountant or other staff not performing the duties involved such as preparing deposits, signing checks or receipts, reconciling or reviewing reconciliations of bank accounts, or directly supervising the day-to-day operations, etc.

Please note the use of staff from a specialized unit (e.g., an internal audit group) to perform all of the verifications poses some degree of risk, in that the line manager, not the specialized unit, is ultimately responsible for the operation of the internal control system. This responsibility is one that applies every day. The managers must recognize the infrequent verification by a specialized unit does not relieve them of their responsibility to be aware of the required controls and that they are ultimately responsible to ensure compliance with these controls.

Departmental management should identify which sets of surveys will be completed for each assessable unit. For example, an assessable unit with responsibility for cash but not for payroll should complete the surveys for cash controls but not for payroll controls. As a result, some sets of surveys may be copied and filled out more than once according to the number of assessable units to which the functional fiscal control areas apply.

4. Based on the previous three steps, departmental management should complete the "Assessable Units" worksheet, and submit it as soon as possible, to:

<div align="center">

Ian Goldberg, Manager
Auditor-Controller/Internal Audit Services
675 Texas Street, Suite 2810
Fairfield, CA 94533

</div>

5. Departments are encouraged to prepare additional instructions to supplement these instructions provided with the SCCSA surveys. In addition, to best reflect senior level commitment to the SCCSA, the department head or his immediate subordinate should prepare a written introduction to the SCCSA verification process for staff.

6. The "Verifier" for each survey should review the internal controls for the applicable functional areas using the methods of verification reflected in the surveys. This review will identify the internal controls in place and any weaknesses in either the designing (what should be) or the functioning (what is) of the internal control system. Important to identifying controls is the testing of the controls to ensure they are functioning as designed. Testing can consist of selecting a sample of transactions, and reviewing the documentation for the transactions, observing procedures and transactions as they occur, and inquiring with staff responsible for performing and completing transactions (for further discussion on identifying controls, see the Survey section of these instructions on **page 6**).

7. The manager responsible for an assessable unit's evaluation should review the documentation, sign each area's lead page, and submit a copy of the completed functional area surveys (lead pages and questionnaires) to departmental management.

8. Departmental management should collate the completed surveys for submittal. The sets of surveys should be submitted to the Auditor-Controller and copies retained in accordance with the Documentation Requirements section of these instructions (**see page 7**).

9. Upon submitting the surveys, the department should prepare and the department head sign the annual "Fiscal Compliance Certifications" using the department's letterhead. An example certification format is separately included with these instructions (see form – Certification of Internal Controls).

   The Fiscal Compliance Certifications, the List of Assessable Units and surveys should be submitted to:

   Ian Goldberg, Manager
   Auditor-Controller/Internal Audit Services
   675 Texas Street, Suite 2810
   Fairfield, CA 94533

   In completing and signing the "Fiscal Compliance Certifications," the department head is certifying that the department managers have attested they have completed the evaluation in accordance with the SCCSA instructions. **It is important to note that in the certification the department head signifies there has been appropriate planning for completion of the SCCSA and appropriate staff has been assigned to ensure its completion. The department head is not certifying to the accuracy of the evaluation, but that the department's responsible managers have attested that the evaluations of their units were performed in accordance with the SCCSA instructions.**

Surveys

The SCCSA covers the following function fiscal areas, which are covered by the attached sets of surveys. The procedures for completing the surveys follow the list. A one-page example of a completed survey page is attached to these instructions. (Please note when using hardcopy survey pages you may attach supplementary pages for support.)

Area	Controls
I	Cash
II	Revenue & receivable – Governmental Funds
III	Revenue & receivable – Proprietary Funds
IV	Expenditure
V	Payroll
VI	Capital Assets & expenditures

A lead page preceding each survey/questionnaire provides some guidance in determining who should be designated as the "Verifier," the person who should review and verify that the controls are in place and properly functioning. As noted in Step 3 of the "Procedures" section, the Verifier may be the responsible manager or his/her designee. The lead page also has a section to assist in documenting the answers for the related survey. Finally, the lead page has a section to identify the name and title of the Verifier (if other than the responsible manager), and for the manager responsible for the assessable unit to approve the Verifier's documentation and evaluation.

The questions for each survey must be responded to with YES, NO, or N/A (not applicable) answers. NO or N/A responses should be further explained in the "Comments" column.

Certain circumstances may justify a NO or N/A response. For questions in which management believes a NO or N/A is justified, an explanation should be provided, including a description of existing alternative controls, if any. Questions for which no incidents have occurred (e.g., theft, or cash shortages exceeding $100, etc.) should be answered N/A, but also include an acknowledgment in the "Comments" column of what actions would be taken if such incidents occurred. Questions related to fiscal areas or functions, which the department or assessable unit does not have, should be answered N/A with an explanation in the "Comments" column indicating why the question does not apply. For example, a department with no bank accounts would record N/A for all bank account questions, and include explanations such as "The department has no bank accounts."

The method the Verifier uses to answer each question must also be indicated in the appropriate column. There are three methods of verification as follows:

- Reviewed documentation – includes an actual review of records, reports, or other forms of documentation to verify not only that the documentation exists, but that it is properly and accurately prepared, update, etc.
- Observed – generally involves physical observation of a procedure (seeing the procedure carried out, a control is in place, or documentation exists).
- Discussed – includes discussing/conferring with appropriate personnel regarding required procedures, controls, etc. At a minimum, all methods of verification should include some discussion.

Documentation Requirements

In addition to copies of the "List of Assessable Units" and the "Fiscal Compliance Certifications," the department should retain copies of all completed lead pages, surveys/questionnaires, and other documentation for three fiscal years following the year of preparation.

As indicated on the lead pages, the SCCSA documentation includes:

- A list of the personnel (names and titles) with whom the internal controls were discussed,
- If applicable, a description of the specific records reviewed (e.g., dates of deposits tested to see they were deposited timely), and
- If applicable, a description of the personnel (names and titles) and/or procedures observed.

SCCA Evaluation Problems

To help avoid problems and delay in completing the evaluations, please consider the following:

- Allow for adequate supervision to the evaluation to avoid having to redo all or major parts of the questionnaires because an improper verification method is used or because incorrect answers are given.
- The individual assigned to complete a survey should be a manager who is not a supervisor or staff person involved in the day-to-day operations of the area.
- Documentation for the evaluation should be legible, with adequate referencing and with the verification method indicated.
- For functional areas which are decentralized (e.g., cash collections at satellite offices), a set of surveys should be completed by each assessable unit.
- Include reasons for answering survey questions "N/A" or justification for answering "NO."
- The answer to any question should not represent what should be done, what was done, or what will be done, but reflect a current verification of <u>what is actually being done</u>.

If additional surveys are required for assessable units, the surveys can be accessible from the Auditor-Controller's intra-net site at **http://audstart/start/forms?division=internal_audits.**

Please note the Auditor-Controller's contact person has not been identified with these instructions. We will email you with a contact listing once they have been identified. If you have any questions, the SCCSA Coordinator should contact **Ian Goldberg**, Internal Audit Services Manager at **(707) 784-3057** or email at IMGoldberg@Solanocounty.com.

Glossary

Assessable unit
   An organizational component of a department's fiscal operations, which management wishes to review, evaluates and attests to the adequacy of internal controls. Management should consider segmenting the department's fiscal operations into identifiable units such as divisions, sections, bureaus, budget units, etc. Typically, an overall area or function is separated into the smallest logical "units" for review and assessment purposes.

Control activities
   The policies and procedures that help ensure management directives are carried out. They help ensure necessary actions are taken to address risks in order to achieve the organization's objectives.

Control Environment
   The control environment of a business organization sets its organizational tone. It influences the control consciousness of its people and is the foundation for all other components of internal control, providing discipline and structure.

Control Self-Assessment (CSA)
   The process through which internal control effectiveness is examined and assessed. The objective is to provide reasonable assurance that all business objectives will be met.

Imprest basis
   Account basis wherein the total amount of cash plus the amount of checks or vouchers issued reconciles to a set fund balance (i.e., petty cash, revolving fund).

Internal control (controls)
   The process (i.e., framework), which is intended to provide officials with reasonable assurance that assets of the government are adequately safeguarded, financial transactions are executed as authorized and properly recorded, and that the government's business objectives will be met (i.e., things that help meet an objective by managing the related risks).

Lockbox
   A secured (lock and key) safe or container used to temporarily hold receipts remitted by customers. Lockboxes are often used to secure receipts received after business hours, or when there is minimal staff to collect and process receipts during business, and placed where they are easily accessible to customers.

Negotiable instruments
   Stocks, bonds, treasury notes, investment certificates, etc., that are readily convertible into cash.

Objectives
   The things an organization wants to accomplish/achieve.

Revolving fund
> An imprest bank account to which deposits are made periodically in an amount equal to the sum of the checks written thereon; when all checks are written have cleared, the bank account balance will equal the authorized, established amount. Revolving (imprest) funds are often used to enhance cash control and/or to facilitate bank-book reconciliations.

Risks
> Things that might prevent an organization from accomplishing (meeting) an objective.

Risk assessment
> The identification and analysis of relevant risks, which form a basis for determining how the risks should be managed.

CERTIFICATION OF INTERNAL CONTROLS

I, _____, Department Head of
<div align="center">Name</div>

the _____ of the County of Solano,
<div align="center">Department</div>

do hereby certify to the best of my knowledge and understanding that the Internal Control Certification process has been completed accurately in accordance with the Solano County Control Self-Assessment.

_____
<div align="center">Signature</div>

_____
<div align="center">Date</div>

SCCSA: Certform

Solano County Control
Self-Assessment

<u>CASH</u>

Generally, compliance with cash related controls should be verified by an Accounting or Fiscal Officer. In those locations or field offices not assigned accounting managers, the verification should be performed by supervisory administrative staff not involved in the day-to-day cash operations.

Please indicate the name(s) and title(s) of the individual(s) performing this verification.

Name	Title
Name	Title
Name	Title

SCCSA: Leadpage

Solano County Control
Self-Assessment

<u>REVENUE</u>

Generally, compliance with cash related controls should be verified by an Accounting or Fiscal Officer. In those locations or field offices not assigned accounting managers, the verification should be performed by supervisory administrative staff not involved in the day-to-day revenue-collecting operations.

Please indicate the name(s) and title(s) of the individual(s) performing this verification.

Name	Title

Name	Title

Name	Title

Solano County Control
Self-Assessment

EXPENDITURES

Generally, compliance with cash related controls should be verified by an Accounting or Fiscal Officer. In those locations or field offices not assigned accounting managers, the verification should be performed by supervisory administrative staff not involved in the day-to-day expenditure operations.

Please indicate the name(s) and title(s) of the individual(s) performing this verification.

Name	Title
Name	Title
Name	Title

SCCSA: Leadpage

Solano County Control
Self-Assessment

PAYROLL

Generally, compliance with cash related controls should be verified by an Accounting or Fiscal Officer. In those locations or field offices not assigned accounting managers, the verification should be performed by supervisory administrative staff not involved in the day-to-day payroll operations.

Please indicate the name(s) and title(s) of the individual(s) performing this verification.

Name	Title
Name	Title
Name	Title

**Solano County Control
Self-Assessment**

CAPITAL ASSETS & RELATED EXPENDITURES

Generally, compliance with cash related controls should be verified by an Accounting or Fiscal Officer. In those locations or field offices not assigned accounting managers, the verification should be performed by supervisory administrative staff not involved in the day-to-day capital assets and related expenditures operations.

Please indicate the name(s) and title(s) of the individual(s) performing this verification.

Name	Title
Name	Title
Name	Title