

Office of the State Controller

Self-Assessment of Internal Controls

Budget Reporting Cycle

Objectives and Risks

Agency _____

Year-End _____

| <u>Objectives</u> | <u>Risks</u> |
|---|---|
| Preparation of a budget, whether or not legally required, which internally and externally communicates goals and objectives and serves as a "benchmark" against which actual performance is measured. | <ul style="list-style-type: none">• No practical means by which to measure performance.• Internal departments and staff unsure of goals of the executive.• Absence of effective control over expenditures. |
| Obtain assurance that expenditures are incurred in conformity with the budget and plan of operations. | <ul style="list-style-type: none">• Violation of law.• Expenditures incurred in excess of budget authorization.• Arbitrary or unauthorized transfers between budget categories. |
| Budget versus actual reporting is provided on a timely basis and explanations are provided for significant deviations. | <ul style="list-style-type: none">• Lack of timely information on budget versus actual status prohibits corrective action.• Department managers unaware of status of their budget and potentially prohibited from executing plans.• Unbudgeted actual transactions may not be detected. |

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Control Policies and Procedures:

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Year-End _____

Bolded questions identify critical controls. A critical control is a control that will prevent or detect an error in the event that all other controls fail.

A. Control Activities / Information and Communication:

Yes No N/A

- | | |
|------|--|
| ____ | 1. Are the following budget responsibilities performed by different people: |
| ____ | a. Preparation and approval of the budget submitted to the legislature? |
| ____ | b. Implementation and approval of the budget submitted to the legislature, including budget revisions? |
| ____ | c. Recording budget revisions in the general ledger and the approval or implementation functions? |
| ____ | 2. Have procedures been adopted and communicated establishing authority and responsibility for transfers (budget revisions) between budget categories? |
| ____ | 3. Are budgetary increases or decreases (as they relate to programs), that are mandated by the legislature communicated to operating departments? Is this done in a timely manner? |
| ____ | 4. Is an encumbrance system used to ensure that actual expenditures do not exceed budgeted amounts? |
| ____ | 5. Are actual expenditures and revenues compared to budgeted amounts monthly and on a timely basis? |
| ____ | 6. Are budget revisions approved by an authorized person before being entered into the accounting system? |
| ____ | 7. Are restricted revenues segregated to ensure that the revenues are used only for restricted purposes? |

B. Monitoring:

- ___ ___ ___ 8. Does the accounting department or budget officer submit approval as to availability of funds before the issuance of a purchase order or expenditure commitment?
- ___ ___ ___ 9. **Are over expenditures or under realized revenues discussed with departmental personnel and are there explanations for significant variation from budgeted amounts?**