



LOUISIANA DEPARTMENT OF EDUCATION

MEMORANDUM

TO: Charter School Business Officials

FROM: Charlotte Stevens, Director *CS*
Education Finance

DATE: August 14, 2012

SUBJECT: Charter School Internal Control Questionnaire

As the number of charter schools operating in Louisiana has increased over the past several years, so has the need for fiscal guidance relative to internal controls and applicable state and federal laws. Proper internal controls over processes assist in ensuring compliance with applicable state and federal laws, as well as safeguarding, managing, and accounting for the assets of the Local Education Agencies (LEAs). The Louisiana Department of Education (LDOE) is providing the attached internal control questionnaire to be utilized by the LEAs as a tool to evaluate its current internal control procedures for specific business processes and identify areas where controls may need strengthening. This questionnaire also identifies applicable state and federal laws for specific business functions.

It is recommended that each LEA complete the internal control questionnaire and maintain it on file. If processes or information change, update this document as soon as the changes are implemented. This document should be reviewed by LEA staff in its entirety on an annual basis.

Should you require any assistance or are requesting technical assistance with any of the specific items included on the internal control questionnaire, please contact either the Federal Audit Supervisor, Nakia Jason (Nakia.Jason@la.gov), or the Audit Manager, Marella Houghton (Marella.Houghton@la.gov), at 225-342-8848 or the toll free number below.

CS:mh

Attachment

c: Charter School Board Presidents
Raphael Gang, Office of Portfolio, Chief of Staff
Adam Hawf, Louisiana Recovery School District, Deputy Superintendent
Marella Houghton, CPA, Audit Manager
Nakia Jason, Federal Audit Supervisor

Louisiana Believes.

Charter School Name: _____
Fiscal Year of Evaluation: _____
Date Completed: _____

Louisiana Department of Education

Rev. Nov-11

		Y/N or N/A	Date
GENERAL/ADMINISTRATIVE			
<i>Integrity and Ethical Values</i>			
1	Does the school have a written ethics policy? Obtain a copy for review.		
2	Does the school require and obtain annual certification from its employees and board members attesting to their compliance?		
3	Does the school prohibit transactions with its employees, board members, or their immediate families?		
4	Has management expressed to its employees that overriding or bypassing established controls is unacceptable?		
5	Does the school have an up-to-date policy and procedure manual governing all functions that provides a clear understanding of what should be done, how it should be done, who should do it, and when it should be done? Obtain a copy for review.		
6	Does the school have an updated organizational chart? Obtain a copy for review.		
Upon review, note the following:			
6a	Do accounting and finance positions within the chart have job descriptions? Obtain a copy.		
6b	Does the charter school's organizational structure allow for authority over accounting personnel?		
6c	Is the Business Manager or Chief Financial Officer at the second tier of authority designed to provide the necessary information flow to manage its activities?		
<i>Human Resource Policies and Practices</i>			
7	Do written personnel policies exist? Obtain a copy for review.		
8	Are policies and procedures for hiring, training, promoting, and compensating employees in place?		
9	Are policies regarding conflicts of interest and business practice policies established, documented, and distributed?		
10	Are training opportunities provided to finance and accounting staff to ensure all employees are competent to perform work assigned?		
11	Are employees aware of their rights to communicate with any official of rank higher than their immediate supervisor?		
<i>Reporting and Preventing Fraud</i>			
12	Document the processes set up by management of the charter school to deflect and report any fraud. Note any strengths and weaknesses.		
13	Are there channels of communication for people to report suspected improprieties?		
13a	Is there an ability to contact someone other than a direct supervisor?		
13b	Is anonymity permitted?		
14	Document the timely and appropriate follow-up action by management resulting from external party communications, such as:		
14a	Parent complaints.		
14b	Federal or State Agency inquiries.		
14c	Notification of inappropriate behavior by an employee.		
<i>General Operations</i>			
15	Is management aware of and are procedures in place to ensure that written public notice is provided for all regular, special, and rescheduled meeting no later than twenty four hours before the meeting, as required by law? See L.R.S. 42:19.		
16	Are the amounts of and types of insurance coverage required by the charter agreement maintained?		
BUDGET PROCESS & FINANCIAL REPORTING			
<i>Budget Process</i>			
17	Are policies and procedures for the budget process current and in writing? Obtain a copy for review.		
18	Are budget policies and procedures consistent with statutory authorities? See L.R.S. 39:1301-1316 and L.R.S. 17:88.		
19	Is management knowledgeable of and do procedures provide for meeting the requirement to submit the budget to the Louisiana Department of Education and adjust for required budget modifications (either increases or decreases), as required by law? See L.R.S. 17:88(C).		
20	Is the budget prepared in sufficient detail (Expenditures should be presented at the function and object level) thereby providing a meaningful tool with which to monitor subsequent performance?		
21	Are the current year's operating results and the succeeding year's anticipated revenues (including the MFP budget letter) taken into consideration in preparing the budget?		

	Y/N or N/A	Date
22 Have procedures been adopted and communicated establishing authority and responsibility for transfers between budget categories?		
23 Are budget to actual revenues and expenditures compared to budget timely with reasonable (monthly) frequency?		
Financial Reporting Process		
24 Are all policies and procedures regarding financial reporting clearly stated and systematically communicated (manuals, handbooks, etc.)? Obtain a copy for review.		
25 Does the Business Manager have adequate authority over accounting employees and principal accounting records?		
26 Does the Business Manager possess the minimum requirements as defined in the LAUGH Guide?		
27 Are there procedures to ensure that all requirements for filing of financial reports are met, including deadlines as set by the Louisiana Department of Education? See L.R.S. 24:514 and L.R.S. 17:92.		
28 Are controls in place to ensure that accounts are closed, adjusted, and reviewed on a timely basis?		
29 Do procedures exist to ensure that financial reports are supported by either underlying account records or other documentation?		
30 Are there policies and procedures in place to ensure the financial records of the school are audited in accordance with law? See L.R.S. 24:513.		
31 Does the chart of accounts align with the required coding for reporting as detailed in the LAUGH Guide? If not, has the charter school prepared a crosswalk of its accounts to the format detailed in the LAUGH Guide?		
32 Does the school require and are controls in place to ensure all journal entries are explained and supported by documentation? (Explanation and support for an entry should be sufficient to enable the person responsible for its review and approval to reasonably perform this function.)		
33 Does the school require and are controls in place to ensure all journal entries are reviewed and approved by designated individuals at appropriate levels in the entity? (The levels at which journal entries are reviewed and approved will usually vary depending on whether the entries are recurring, or non-recurring, routine or unusual, accumulations of routine transactions, or adjustments of balances requiring estimates and judgments.)		
ELECTRONIC DATA PROCESSING & SECURITY		
Equipment and Files		
34 Is there a written policy governing the use of computers and data governance? Obtain a copy for review.		
35 Do procedures exist to protect against a loss of important files, programs, or equipment?		
36 Do controls exist over use and retention electronic files, including provisions for retention of adequate records to provide backup capabilities?		
37 Do controls exist that limit access to data processing equipment, system documentation, and application program documentation to authorized employees?		
38 Are there controls in place to assign userids and access to employees on an as-needed basis?		
39 Are there security measures in place to prevent management bypass or over ride as well as access to confidential information?		
40 Are there controls in place to ensure protection of personal identified information of students? See the Family Educational Rights and Privacy Act (FERPA).		
Oversight and Segregation of Duties		
41 Do the personnel policies of the data processing and information technology function include such procedures as reference checks, security statements, rotation of duties, and terminated employee security measures that enhance segregation of duties and otherwise improve controls?		
Data Processing		
42 Do controls exist over changes to master files, such as requiring preparation of specific forms indicating data to be changed, approval by a supervisor in the user department, and verifying against a printout of changes?		
43 Is access to the general ledger and related records restricted to those who are assigned general ledger responsibilities?		
44 Are the responsibilities for maintaining the general ledger and custody of assets segregated?		
45 Are the preparation and approval functions for journal entries segregated?		
On-line Systems/Security		
46 Do controls exist over entry of data in on-line systems (including SIS, SER, PEP, etc.) to restrict access to terminals and data entry to authorized employees?		
47 Do on-line systems controls exist that prevent documents/information from being keyed into the system more than once and that permit tracing from computer output to data source and vice versa?		
48 Do program controls exist over entry of data into on-line systems?		
FEDERAL COMPLIANCE		
49 Are assets purchased with federal funds separately accounted for and identified?		
50 Do controls exist for monitoring the appropriate disposition of property acquired with grant funds?		

	Y/N or N/A	Date
51 Does the accounting system identify and track sources of federal and nonfederal funds?		
52 Does the school have controls in place to ensure that all reimbursement requests are in compliance with the Cash Management Improvement Act (CMIA)? This includes the repayment of principal and interest on amounts that violate CMIA (in excess of \$100).		
53 Is grant activity accounted for so that it can be separated from the accounting for locally funded activities?		
54 Is there a system for obtaining grantor approval before incurring expenditures in excess of budgeted amounts or for unbudgeted expenditures?		
55 Are controls established to ensure that payroll costs charged to grants are in compliance with grant agreements? (OMB A-87)		
CASH AND INVESTMENTS		
56 Compile a list of bank accounts and investments in the charter school's name.		
57 Are bank accounts properly authorized?		
58 Is fidelity insurance maintained?		
59 Does the charter school invest excess cash as required by law. See L.R.S. 33:2955.		
60 Are procedures provided for immediate notification to banks when check signers leave the unit or are otherwise no longer authorized to sign?		
61 Are undeposited cash receipts secured?		
62 Are receipts accounted for and balanced to collections on a daily basis?		
63 Are responsibilities for collection and deposit preparation functions segregated from those for recording cash receipts are general ledger entries?		
64 Are responsibilities for cash receipts functions segregated from those for cash disbursements?		
65 Are bank reconciliations performed by someone independent of receiving cash or processing and recording of transactions?		
66 Are two signatures required on checks over a stated amount?		
67 Are signed checks inaccessible to persons who requested, prepared, or recorded them?		
68 Are invoices and supporting documents furnished to the signer prior to signing the check?		
69 Are checks outstanding for a considerable time periodically reviewed for propriety?		
70 Do procedures exist for steps essential to an effective reconciliation, particularly--		
70a Comparison of checks in appropriate detail with disbursement records?		
70b Examination of signature and endorsements, at least on a test basis?		
70c Accounting for numerical sequence of checks used?		
70d Comparison of book balances used in reconciliations with general ledger account?		
70e Comparison of deposit amounts and dates with cash receipt entries?		
70f Footing of cash books?		
71 Are all reconciliations and investigations of unusual reconciling items reviewed and approved by an official who is not responsible for receipts and disbursements, including recording evidence of the review and approval by signing the reconciliation?		
CAPITAL ASSETS		
72 Does the school have a written policy for capital assets, to include recording, safeguarding, capitalization, and disposal, etc.? Obtain a copy for review.		
73 Are detailed property records maintained for all significant self-constructed, donated, purchased, or leased assets as required by law? See L.R.S. 24:515.		
74 Is equipment properly identified by numbered tags or other means of positive identification?		
75 Are periodic physical inventories of capital assets conducted?		
76 Are responsibilities for the periodic physical inventories of capital assets assigned to responsible officials who have no custodial or record keeping responsibilities?		
77 Are differences between records and physical counts investigated and are the records adjusted to reflect shortages?		
78 Are fixed assets identified by funding source and as to the owning entity in accordance with RS 17:3391 (H)?		
REVENUES AND RECEIVABLES		
79 Do controls exist to ensure that transactions are recorded on a timely basis?		
80 Do controls exist surrounding the collection, timely deposit, and recording of collections in the accounting records?		
81 Do controls exist providing reasonable assurances that restricted revenues are expended only for restricted purposes?		
82 Are the collection, control, and deposit of funds activities segregated from the accounting records maintenance function?		
83 Are responsibilities for entries in the cash receipts records segregated from those for general ledger entries?		
84 Are fees billed and grant reimbursement requested in a timely fashion (monthly)?		

	Y/N or N/A	Date
PROCUREMENT AND PAYABLES		
General Expenditures and Payables		
85	Document the processes of internal controls and segregation of duties for expenditures and payables, including purchasing, receiving, recording, reporting, and accounting. Note any strengths and weaknesses.	
86	Does the school have a written policy for recording and processing expenditures and payables?	
87	Does the school have a written policy to ensure procurement practices for advertising and bidding are in compliance with law? See L.R.S. 38:2212 and L.R.S. 38:2212.1.	
88	Do approval procedures exist for purchase order and contract issuance?	
89	Are procedures instituted to identify, before order entry, costs and expenditures not allowable under grant (federal/state) programs?	
90	Do procedures exist for disbursement approval and check-signing?	
91	Are responsibilities for disbursement preparation and disbursement approval functions segregated from those for recording or entering cash disbursements information on the general ledger?	
92	Are responsibilities for the disbursement approval function segregated from those for the disbursement, voucher preparation, and purchasing functions?	
93	Are responsibilities for entries in the cash receipt and disbursement records segregated from those for general ledger entries?	
94	Are purchases of goods and services initiated by properly authorized requisitions bearing the approval of officials designated to authorize requisitions?	
95	Does predetermining selection criteria exist for awarding personal service or construction contracts and is documentation of the award process required?	
96	If applicable, is access to the master vendor file limited to employees authorized to make changes?	
97	Are competitive bidding procedures used or price quotations obtained before purchasing items not subject to competitive bidding?	
98	If a purchased item or service is labeled as a sole-source purchase, is the required documentation maintained to support the purchase? See L.R.S. 39:1597.	
99	Are payments made only on the basis of original invoices?	
100	Does the school maintain the original source documents to validate each disbursement and are those source documents maintained in an orderly manner?	
Employee Compensation		
101	Do records and controls exist for timekeeping and attendance? Do supervisors review and approve the time and attendance document?	
102	Do procedures exist for authorizing, approving, and recording vacations, holidays, and sick leave and is compensatory time controlled and approved?	
103	Are responsibilities for the payroll processing function segregated from the general ledger function and the HR functions?	
104	Are responsibilities for initiating payments under employee benefit plans segregated from accounting and general ledger functions?	
105	Is a separate payroll bank account maintained?	
106	Is the payroll bank account reconciled regularly by employees independent of all other payroll transaction processing activities?	
107	Is access to the master payroll file limited to employees who are authorized to make changes (Presumably HR)?	
108	Are all changes in employment (additions and terminations), salary and wage rates, and payroll deductions properly authorized, approved, and documented?	
109	Are terminating employees interviewed as a check on departure and as a final review of any termination settlement by the personnel department?	
110	Are payroll advances prohibited?	
Credit Cards		
111	Does the school use credit cards?	
112	Is there a written procedure for the use of credit cards?	
113	Document the number of credit cards and the persons with custody of them. Is the number of credit cards limited to senior officers. Does the number of credit cards not exceed one?	
114	Does the school require documentation to support credit card charges?	
115	Are credit card charges reviewed by someone other than the authorized user\custodian and is that person of an appropriate authority level?	
Travel		
116	Does the school have a written travel policy?	
117	Is payment of travel expenses based upon documented travel costs that are approved by the Business Manager (BM and Superintendent's expenses should be approved by one level above)?	
118	Does the school have a policy or at least a practice of not providing travel advances?	
119	Are travel expense reports reviewed for allowable and reasonable expenditures?	