

SELF-ASSESSMENT

The key to self-assessment is asking “how do we know we’re doing what we’re supposed to do?” The following questions can be used to help assess your department, division, or operation internal controls.

- ⊕ Are policies and procedures readily available that cover department or division activities and programs?
- ⊕ Do employees know the policies and procedures that pertain to their job responsibilities?
- ⊕ Are authorization limits communicated within your organization?
- ⊕ Are all assets safeguarded at all times?
- ⊕ Do we have an established document control process?
- ⊕ Is data only accessible by authorized personnel?
- ⊕ Do employees adhere to national and state policies and codes?
- ⊕ Do we have performance measures for our organization and for our major programs?
- ⊕ Is there a better way to do my job?



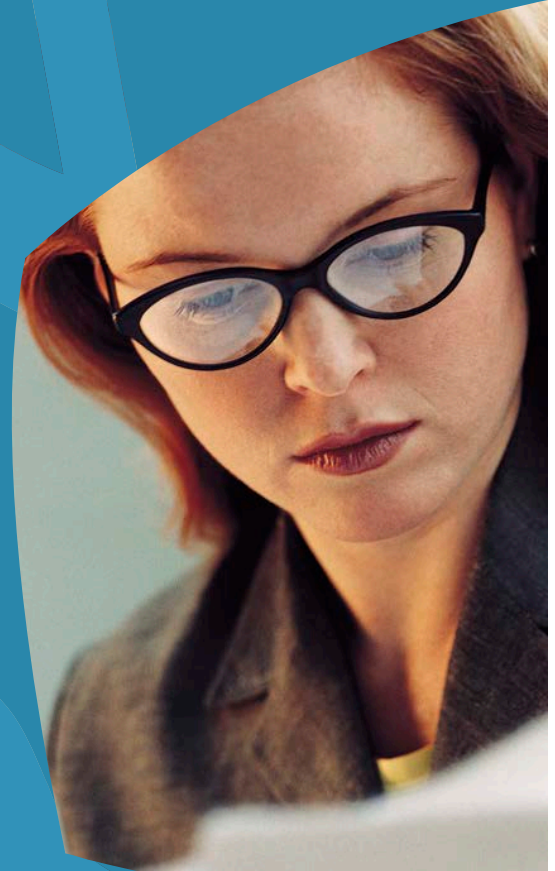
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Internal Controls



INTERNAL CONTROLS affect each of us in our daily work. Many internal controls are built into policies, procedures, and guidelines. Through these, we contribute to achieving the State of Yap's objectives.

Internal controls are processes designed to provide reasonable assurance that objectives are achieved. The objectives may include:



- Effective and efficient operations*
- Reliable and accurate information*
- Compliance with laws and regulations*
- Safeguarding of assets*

Basically, internal controls ensure the right things are done, for the right reasons, the right way, at the right time.

- People at every level of an organization affect internal control.
- Effective internal control helps an organization achieve its operations, financial reporting, and compliance objectives.
- The responsibility for internal controls lies with everyone, not just one single individual or department.
- Management is responsible for ensuring that internal controls are established, properly documented, maintained, and followed.
- Employees are responsible for adhering to the internal controls.

The Public Auditor assesses the adequacy of existing controls and makes recommendations to management on how to enhance them. It is management's responsibility to evaluate these recommendations and initiate any necessary changes. The Public Auditor does not create policies, implement, or change controls or policies.

TYPES OF CONTROLS

Internal controls must be implemented thoughtfully, conscientiously, and consistently. A procedure will not be useful if performed mechanically without understanding the reason for it. Controls can either help prevent undesirable events from occurring or help detect them after they have occurred. Examples of controls and key characteristics include:

APPROVALS, AUTHORIZATIONS, VERIFICATIONS

- « Written policies and procedures
- « Limits to authority
- « Supporting documentation
- « No "rubber stamps"
- « No blank signed forms
- « Question unusual items

SEGREGATION OF DUTIES

No one person should.....

- « Initiate transaction
- « Approve transaction
- « Record transaction
- « Reconcile balances
- « Handle assets
- « Review reports

RECONCILIATIONS

- « Compare independent data sources
- « Identify any differences/unusual items
- « Investigate differences



ASSET SECURITY

- « Security of physical assets
- « Perpetual records
- « Periodic physical counts; comparison of physical to perpetual records

INFORMATION SYSTEMS

- « Access and physical security
- « Data and program security
- « Program change
- « Software development
- « Data center operations
- « Disaster recovery

REVIEWS OF OPERATING PERFORMANCE

- « Budget to actual comparison
- « Current to prior period comparison
- « Use of performance indicators
- « Investigate unexpected results

