



Risk Assessment Standards Toolkit

PRACTICAL GUIDANCE IN IMPLEMENTING SFAS 104 – 111



Risk Assessment Standards Toolkit

Practical Guidance in Implementing Statements on Auditing Standards 104 Through 111

About the Authors

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Brian personally services a number of higher education clients in the Midwest. He is also responsible for the development and delivery of training courses for the firm's professionals who serve higher education and not-for-profit clients. Brian is a graduate of the University of Notre Dame and a certified public accountant.

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Cynthia has served two terms on Crowe's executive committee, is a past chair of Crowe's audit committee, and is a current member of the Public Sector Services Management Team. Cynthia is a graduate of Valparaiso University and is a certified public accountant.

About Crowe Horwath LLP

Institutions of higher education operate in a unique environment. Crowe is aware that to properly serve our clients, professionals within the firm must concentrate a significant portion of their time serving higher education clients in order to maintain a high level of industry specialization. Crowe's higher education specialists spend 100 percent of their time serving the needs of higher education and not-for-profit clients and providing for the professional development needs of our staff. This ensures a high level of specialization in the higher education environment and provides for continuity of staffing for each college and university engagement.

Founded in 1942 in South Bend, Indiana, Crowe Horwath LLP (www.crowehorwath.com) is one of the top 10 public accounting and consulting firms in the United States. Under its core purpose of "Building Value with Values®," Crowe assists clients in reaching their goals through audit, tax, risk, and consulting services. Crowe professionals provide clients with thought leadership in many industry sectors, including higher education and not-for-profit. With more than 20 offices and more than 2,500 personnel, Crowe is recognized by a number of organizations as one of the country's best places to work. Crowe serves clients worldwide as the leading independent member of Horwath International.

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The Toolkit Development

In March 2008, Cynthia Pierce and Stuart Miller co-presented a NACUBO Webcast titled “Understanding the Risk Assessment Audit Standards,” referring to Statements on Auditing Standards 104–111. While the Webcast was well received, the practical examples illustrated with Crowe’s “Toolkit” were of great interest, as a number of Webcast participants requested a copy of the Toolkit for their use.

The Toolkit was originally developed by a team of Crowe professionals who were charged with the responsibility of developing a tool that would facilitate the documentation of key controls by our clients. We recognized the need for a systematic approach to this documentation that would thereby facilitate our corroboration of controls as required by the Risk Assessment Standards. Although our team used the Committee of Sponsoring Organizations of the Treadway Commission (COSO) model as a framework, we also used our industry expertise to tailor the worksheets to the needs of higher education institutions.

We wish to acknowledge the efforts of the entire team of Crowe professionals who developed the original tool, and we are pleased to provide this Toolkit to NACUBO members and the entire higher education community.

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Overview

OVERVIEW OF THE RISK ASSESSMENT STANDARDS AND BACKGROUND

The Auditing Standards Board's Statements on Auditing Standards (SASs) nos. 104-111 (the "Risk Assessment Standards") represent the board's ongoing efforts to develop stronger and more definitive auditing standards that are intended to enhance auditor performance and thereby improve audit effectiveness. The Risk Assessment Standards were effective for audits of financial statements for periods beginning on or after December 15, 2006 (e.g., December 31, 2007, year-ends).

The Risk Assessment Standards mandate an evaluation of the design and implementation of controls at all levels of the institution, including the financial reporting process. They also require the external auditor to corroborate, or verify, at least key controls, and pursuant to SAS no. 106, "Audit Evidence," inquiry alone is not sufficient for corroboration. At a minimum, external audit procedures such as observation, inspection, and/or walkthroughs must be performed.

Crowe Horwath LLP ("Crowe") has developed this Toolkit to assist institutions of higher education in documenting, summarizing, and evaluating their internal controls. It is meant for use by boards of directors, audit/finance committees, management, accountants, internal auditors, and others involved in structuring and assessing internal controls. It provides a framework institutions can use to determine the overall internal control structure and assess its effectiveness.

Use of the Toolkit and Overview of the Five-Step Approach

The Toolkit is designed to be flexible in allowing the institution to choose the extent to which it will meet its control assessment objectives, following a five-step approach. How far to proceed through the five-step approach remains at the institution's discretion. Whereas each additional step potentially provides a higher level of confidence in the control structure, it also demands a greater level of effort on the part of the institution.

Each of the five steps is described as follows:

1. **Review checklist.** The Toolkit can simply serve as a checklist or a reference for sample control procedures.
2. **Document controls.** The worksheets are designed as a template to assist institutions in documenting the internal controls in accordance with the requirements of SASs 104-111.

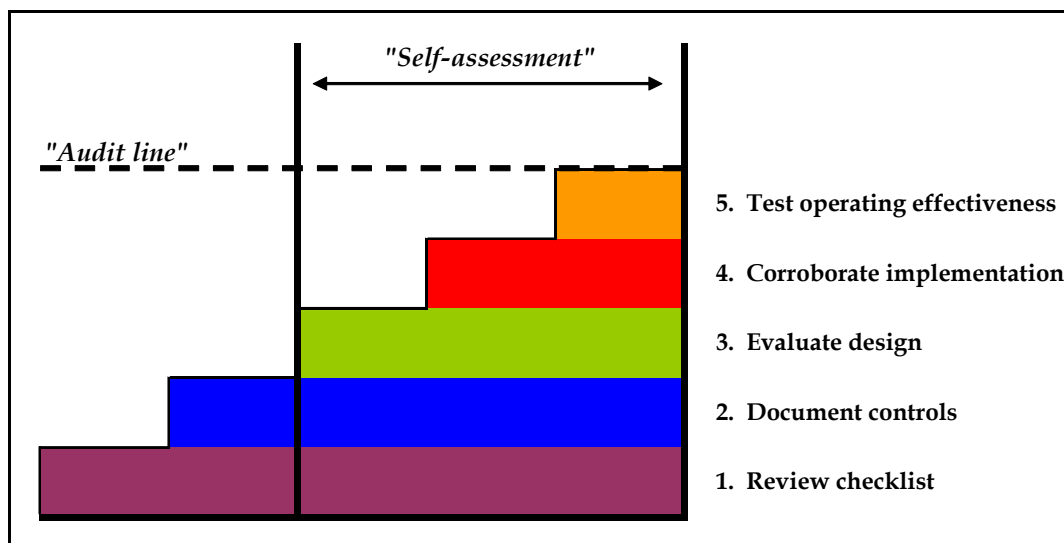
Although steps 1 and 2 provide some value, the value increases as steps 3 through 5 are performed because the institution more fully completes a "self-assessment," thus enabling a more thorough assessment of the adequacy of controls throughout the organization.

3. **Evaluate design.** Once controls are documented, management can evaluate whether the controls are properly designed, that is, assess whether the control as designed is meeting the desired objective.
4. **Corroborate implementation.** Once management has determined that controls are properly designed, a validation process is performed to verify that "key controls" are in fact implemented. Consideration should be given to whether adequate support or documentation is present to enable external parties (auditors, regulators, etc.) to perform corroboration.
5. **Test operating effectiveness.** In the last step, management performs extensive testing of key controls to determine whether they are operating effectively. Although this process provides the greatest amount of comfort, it also is not practicable for most organizations, and most likely will be performed only in instances in which an internal audit function is present.

To maximize the effectiveness of the control assessment, we advise institutions to consider engaging other internal parties in the "self-assessment" process (steps 3 through 5) to allow for the most objective feedback in this process.

Regardless of the procedures the institution performs, please note that the external auditors are required to perform their own control assessment. That includes evaluation of the design of controls, corroboration of the control implementation, and in many instances, testing the operating effectiveness. Please note that no self-assessment can completely eliminate the possibility of control deficiencies being identified by the external auditor.

Here is an illustration of the five-step approach:



Design of the Toolkit

The Toolkit is divided into separate worksheets addressing two specific control areas: (1) *entity-level* controls; and (2) *account-level* controls. The entity-level control risk assessment is geared toward the control procedures related to overall institutional governance (e.g., are the board, audit committee, and senior management personnel properly “setting the tone at the top”?). The account-level control risk assessment drills into more detail to focus on the underlying controls over amounts reported in the institution’s financial statements.

Additional information and instructions on how to complete the worksheets are included on the following pages of this guide.

The Institution’s Responsibilities

Ultimately the institution is responsible for determining whether controls and procedures implemented meet its specific needs. In fulfilling this responsibility, the institution will need to modify any suggested forms, tools, and checklists (such as this Toolkit) as appropriate to meet the institution’s specific needs. Accordingly, Crowe makes no representations regarding the adequacy of the suggested forms, tools, and checklists to meet the needs of the institution in order to satisfy the requirements of the Risk Assessment Standards.

This material is for informational purposes only and should not be construed as financial or legal advice. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate on the date that it is received or that it will continue to be accurate in the future. Please seek guidance specific to your organization from qualified advisors in your jurisdiction.

Entity-Level Controls

ENTITY-LEVEL CONTROL RISK ASSESSMENT

The entity-level control risk assessment worksheets were derived from the Committee of Sponsoring Organizations of the Treadway Commission (COSO) model, which outlines five components of internal control. In an effective internal control system, the following five components work to support the achievement of an institution's mission, strategies, and related business objectives:

1. **Control environment**, which establishes the foundation for the internal control system by providing fundamental discipline and structure;
2. **Risk assessment**, which involves the identification and analysis by management—not the internal auditor—of relevant risks to achieving predetermined objectives;
3. **Control activities**, or the policies, procedures, and practices that ensure management objectives are achieved and risk mitigation strategies are carried out;
4. **Information and communication**, a component that supports all other control components by communicating control responsibilities to employees and by providing information in a form and time frame that allows people to carry out their duties; and
5. **Monitoring**, which covers the external oversight of internal controls by management or other parties outside the process, or the application of independent methodologies, such as customized procedures or standard checklists, by employees within a process.

The Toolkit further expands the COSO entity-level control risk assessment to include two additional control risk areas, identified by Crowe:

6. **Period-end financial reporting**, which involves the process by which financial statements are prepared internally in accordance with accounting principles generally accepted in the United States of America; and
7. **Budgeting**, which includes the process in place through which management and those charged with governance use budgetary controls to review financial statement data.

Entity-Level Risk Assessment Worksheet Instructions and Control Risk Assessment

Each tab of the Microsoft Excel spreadsheet represents an entity-level risk assessment (ELRA) for the institution. These forms correspond to the COSO internal control framework areas previously described, and also include additional information relative to 20 control principles¹ related to the overall framework and more than 70 attributes related to those principles. The attributes are meant to help identify the methods that can be used to implement a control principle. All attributes may not be present based on the complexity of the institution and its specific circumstances. For each of the seven control areas, use the worksheet to document the specific control assessment approach employed by the institution (step 1 → step 2 → step 3 → step 4 → step 5).

The various columns in the worksheet are completed as follows, depending on how far the institution proceeds through the stepwise approach:

1. Column A (step 1) of each worksheet represents a listing of example controls² that may be in place within the institution, specific to the COSO area and principle.
2. Column B (step 2) is used to document whether the sample control is in place within the institution or to document alternative controls that may be in place to address the risk.

¹ Because the principles have been customized for higher education, for those interested in referencing the COSO framework, please note that principles 11 through 14 have been intentionally omitted.

² Please note that these are sample controls, not a comprehensive list of controls. If your institution does not have any of the listed controls in place, but you believe that another control is present that mitigates the risk in that area, you would add that control to your documentation.

3. Column C (step 3) is completed to assess whether the control procedure is properly designed (indicate Yes [Y] or No [N]).
4. Column D (step 4) is completed for particular “key” controls that have been determined to be properly designed, and should include corroboration of the control (indicate Yes [Y] or No [N]). It is recommended that the institution provide as many details as necessary to adequately describe the control in place, using job titles and tasks that are part of the control. We also recommend you attach exhibits as examples of the documents to further facilitate the corroboration process for both yourself and your auditor.
5. Column E (step 5) is completed in instances where the institution (most likely an internal auditor) performs testing to conclude on the operating effectiveness of the key control (indicate Yes [Y] or No [N]).

Account-Level Controls

ACCOUNT-LEVEL CONTROL RISK ASSESSMENT

The Risk Assessment Standards require an assessment of internal controls specific to significant accounts *and* relevant assertions. Relevant assertions are further defined as those assertions that have a meaningful bearing on whether an account is fairly stated. While the standards identify 13 possible assertions, the assertions may be grouped together for assessment purposes to the extent that they fall in similar categories. For purposes of this Toolkit, Crowe has grouped the assertions as follows:

Assertion	Coding	Description
Existence and occurrence	EO	Recorded transactions and events did occur and do pertain to the entity. Assets, liabilities, and equity interests exist. Disclosed events and transactions have occurred and pertain to the institution.
Completeness	C	All transactions and events that should have been recorded have been recorded. All assets, liabilities, and equity interests that should have been recorded are recorded. All disclosures that should have been included are included in the financial statements.
Rights and obligations	RO	The institution holds or controls the rights to assets, and liabilities are true obligations of the institution.
Valuation and allocation	VA	Assets, liabilities, and equity interests are included in the financial statements at appropriate amounts, and any resulting valuations of allocation adjustments are appropriately recorded.
Cutoff	CO	Transactions and events have been recorded in the correct accounting period.
Accuracy and classification	AC	Amounts and other data relating to recorded transactions and events have been recorded appropriately. Financial information is appropriately presented and described and disclosures are clearly expressed. Financial and other information is disclosed fairly and at appropriate amounts.

Account-Level Risk Assessment Worksheet Instructions and Control Risk Assessment

Each tab of the Microsoft Excel spreadsheet represents an account-level risk assessment (ALRA) that the institution will complete for accounts that are applicable to the institution. For each applicable account, use the worksheet to document the specific control assessment approach employed by the institution (step 1 → step 2 → step 3 → step 4 → step 5).

The various columns in the worksheet are completed as follows:

1. Column A (step 1) of each worksheet represents a listing of example controls³ that may be in place within the institution, specific to the account and possible relevant assertion (coded in column C).
2. Column B (step 2) is used to document whether the sample control is in place within the institution or to document alternative controls that may be in place to address the risk.
3. Column D (step 3) is completed to assess whether the control procedure is properly designed (indicate Yes [Y] or No [N]).
4. Column E (step 4) is completed for particular “key” controls that have been determined to be properly designed, and should include corroboration of the control (indicate Yes [Y] or No [N]). It is recommended that the institution provide as many details as necessary to adequately

³ Please note that these are sample controls, not a comprehensive list of controls. If your institution does not have any of the listed controls in place, but you believe that another control is present that mitigates the risk in that area, you would add that control to your documentation.

describe the control in place, using job titles and tasks that are part of the control. We also recommend you attach exhibits as examples of the documents to further facilitate the corroboration process for both yourself and your auditor.

5. Column F (step 5) is completed in instances where the institution (most likely an internal auditor) performs testing to conclude on the operating effectiveness of the key control (indicate Yes [Y] or No [N]).

Entity-Level Risk Assessment Worksheets

ENTITY-LEVEL CONTROL RISK ASSESSMENT:

The entity-level control risk assessment worksheets were derived from the Committee of Sponsoring Organizations of the Treadway Commission (COSO) model, which outlines five components of internal control. In an effective internal control system, the following five components work to support the achievement of an institution’s mission, strategies, and related business objectives:

1. **Control environment**, which establishes the foundation for the internal control system by providing fundamental discipline and structure;
2. **Risk assessment**, which involves the identification and analysis by management – not the internal auditor – of relevant risks to achieving predetermined objectives;
3. **Control activities**, or the policies, procedures, and practices that ensure that management objectives are achieved and risk mitigation strategies are carried out;
4. **Information and communication**, which supports all other control components by communicating control responsibilities to employees and by providing information in a form and time frame that allows people to carry out their duties; and
5. **Monitoring**, which covers the external oversight of internal controls by management or other parties outside the process, or the application of independent methodologies, such as customized procedures or standard checklists, by employees within a process.

The Toolkit further expands the COSO entity-level control risk assessment to include two additional control risk areas, identified by Crowe:

6. **Period-end financial reporting**, which involves the process by which financial statements are prepared internally in accordance with accounting principles generally accepted in the United States of America; and
7. **Budgeting**, which includes the process in place through which management and those charged with governance use budgetary controls to review financial statement data.

SUMMARY OF THE FIVE-STEP PROCESS		
Step #	Procedure	Description
(1)	Review checklist	Review, scan, and consider the listing of prepopulated controls.
(2)	Document controls	Complete documentation and write up controls specifically within your organization.
(3)	Evaluate design	Consider whether the controls in place are designed properly.
(4)	Corroborate implementation	Verify that key controls (which are properly designed) exist; consider supporting documentation.
(5)	Test operating effectiveness *	Sample test key controls to determine whether they are functioning effectively as designed.

* Generally performed only by internal auditors.

Entity-Level Control Environment

[Instructions](#)

PRINCIPLE 1. COMMUNICATION AND ENFORCEMENT OF INTEGRITY AND ETHICAL VALUES

Control attribute: Management has developed a clearly articulated statement of ethical values that is understood at all levels of the organization.				
Example Control (1)	Document Actual Controls (2)	(3)	(4)	(5)
The entity has developed a clearly articulated statement of ethical values that is understood at all levels of the organization.				
The entity has a formal code of conduct, which reflects the ethical values of the entity, guides employees in making appropriate decisions, and has been communicated to employees. <small>(For smaller entities that do not have a written code of conduct.) The entity has developed a culture that emphasizes the importance of integrity and ethical behavior through oral communication and by management example.</small>	EXAMPLE - The organization has developed a code of conduct that is available to all employees via the organization's intranet.			
Control attribute: Processes are in place to monitor adherence to principles of sound integrity and ethical values.				
Example Control (1)	Document Actual Controls (2)	(3)	(4)	(5)
Employees in senior management and the accounting/finance function, as well as others in control-sensitive areas, periodically certify that they are aware of and in compliance with the entity's code of conduct.				
Employees are encouraged and given the means to communicate concerns, anonymously if preferred, about potential violations of the entity's code of conduct, without fear of retribution (i.e., a whistle-blower program).				
The CEO and senior management demonstrate the importance of sound integrity and ethical values to their employees, such as in day-to-day actions and decisions, interactions with customers, suppliers, and external parties, performance appraisals and incentives, and intolerance of ethical violations.				
Control attribute: Deviations from sound integrity and ethical values are identified in a timely manner and addressed and remedied at appropriate levels within the entity.				
Example Control (1)	Document Actual Controls (2)	(3)	(4)	(5)
The entity has policies and procedures regarding remedial actions to be taken in response to deviations from sound integrity and ethical values or violations of the entity's code of conduct. (Note: Examples of deviations include departures from the entity's policies and procedures, unethical behavior, illegal acts, and allegations of or actual fraud.)				

PRINCIPLE 2A. PARTICIPATION OF THE BOARD OF DIRECTORS (FOR ENTITIES WITH A BOARD OF DIRECTORS)

Control attribute: The board of directors has defined and communicated authorities retained at the board level and those related to management.						
Example Control (1)	Document	Actual	Controls (2)	(3)	(4)	(5)
Corporate bylaws and/or charter(s) outlining the responsibilities of the board and its committees have been created.						
The board and its committees have the necessary authority to fulfill their responsibilities.						
The board and its committees use their charter(s) and/or standard meeting agendas to ensure that they are appropriately discharging their responsibilities.						
Control attribute: The board of directors has a critical mass of members who are independent directors.						
Example Control (1)	Document	Actual	Controls (2)	(3)	(4)	(5)
The board comprises qualified individuals who have appropriate experience and are knowledgeable about the entity's products, services, business environment, and risks.						
Board members are sufficiently independent to challenge management's judgments and decisions.						
Control attribute: The board of directors actively evaluates and monitors risk of management override of internal controls and considers risks affecting the reliability of financial reporting.						
Example Control (1)	Document	Actual	Controls (2)	(3)	(4)	(5)
The board meets with appropriate frequency to adequately discharge its responsibilities.						
The board receives detailed reports containing appropriate information sufficiently in advance of each meeting.						
The board is timely and fully apprised of sensitive information, investigations, and improper acts (e.g., significant litigation, investigations of regulatory agencies, or misuse of assets).						
The board is sufficiently engaged to scrutinize the activities of management, ask difficult questions, and challenge management's judgments and decisions.						
Control attributes: The composition, responsibilities, and activities of the audit committee allow it to sufficiently fulfill its responsibilities.						
Example Control (1)	Document	Actual	Controls (2)	(3)	(4)	(5)
The audit committee has at least three members, each of whom is independent and financially literate. One or more members of the audit committee has financial reporting expertise.						
The audit committee has a charter that articulates its responsibilities.						
The audit committee oversees the work of both internal and external auditors.						

The audit committee has the exclusive authority to engage, replace, and determine the compensation of the external audit firms.				
The audit committee meets with sufficient frequency to adequately discharge its responsibility.				
The audit committee performs a review of the annual financial statements with the outside auditors.				
The audit committee reviews policies and procedures used by management for determining significant estimates, including key				
During its meetings, the audit committee maintains an appropriate level of skepticism and raises probing and challenging questions with management and the auditor, including questions related to critical accounting policies, judgments, estimates, internal control over financial reporting, and other significant matters. Relevant issues are pursued until satisfactorily resolved.				
The audit committee considers information obtained from the entity's whistle-blower program.				
The audit committee meets privately with internal and external auditors to discuss relevant matters.				
The audit committee interacts with regulatory auditors, as necessary.				
Annually, audit committee members certify their compliance with the entity's ethical guidelines and independence rules.				

PRINCIPLE 2B. PARTICIPATION OF THOSE CHARGED WITH GOVERNANCE (FOR ENTITIES WITHOUT A BOARD)

Control attribute: The independence, experience, and organizational stature of those charged with governance allow them to effectively govern the entity.				
Example Control (1)	Document Actual Controls (2)	(3)	(4)	(5)
Those charged with governance are sufficiently independent of management to challenge management's practices, decisions, and financial reporting practices.				
Those charged with governance have sufficient organization stature to challenge management's practices, decisions, and financial reporting practices.				
Those charged with governance have sufficient knowledge of the entity, its environment, its business risks, and its financial reporting practices.				

Control attribute: The information available to, extent of involvement of, and scrutiny of activities by those charged with governance is sufficient for them to govern the entity.				
Example Control (1)	Document Actual Controls (2)	(3)	(4)	(5)
Those charged with governance meet with appropriate frequency to adequately discharge their responsibilities.				
Those charged with governance receive detailed reports containing appropriate information sufficiently in advance of each meeting.				
Those charged with governance review policies and procedures used by management for determining significant estimates, including key assumptions.				
Those charged with governance consider information obtained from the entity's whistle-blower program.				
Those charged with governance are timely and fully apprised of sensitive information, investigations, and improper acts (e.g., significant litigation, investigations of regulatory agencies, defalcations, embezzlement, or misuse of assets, violations of insider trading rules, political payments, illegal payments).				
Control attribute: Those charged with governance raise and pursue questions sufficiently for them to govern the entity.				
Example Control (1)	Document Actual Controls (2)	(3)	(4)	(5)
Those charged with governance are sufficiently engaged to scrutinize the activities of management, ask difficult questions, and challenge management's judgments and decisions.				
Those charged with governance pursue questions raised until satisfactorily resolved.				
Control attribute: Those charged with governance interact with internal and external auditors sufficient for them to govern the entity.				
Example Control (1)	Document Actual Controls (2)	(3)	(4)	(5)
Those charged with governance oversee the work of both internal and external auditors.				
Those charged with governance meet with external auditors to discuss relevant matters, such as audit results, management letters, and letters of auditors' responsibility, including private meetings without management's participation.				
Those charged with governance meet with internal auditors to discuss relevant matters, including private meetings without management's participation.				
Those charged with governance interact with regulatory auditors, as necessary.				

PRINCIPLE 3. MANAGEMENT'S PHILOSOPHY AND OPERATING STYLE

Control attribute: Management's philosophy and operating style emphasize reliable financial reporting.				
Example Control (1)	Document Actual Controls (2)	(3)	(4)	(5)
Management emphasizes the importance of minimizing risks related to financial reporting in its interaction with those involved in the financial reporting process and its dealings with others.				
Control attribute: Management's attitude supports a disciplined, objective process in selecting accounting principles and developing accounting estimates.				
Example Control (1)	Document Actual Controls (2)	(3)	(4)	(5)
Management approves large or unusual transactions.				
Management participates in the establishment of accounting for nonroutine or complex transactions or significant estimates requiring substantial judgment.				
Control attribute: Management has established and clearly articulated financial reporting objectives, including those related to internal control over financial reporting.				
Example Control (1)	Document Actual Controls (2)	(3)	(4)	(5)
Management establishes and articulates financial reporting objectives, including those related to complete, accurate, and fair financial reporting.				
Management supports correct financial reporting and does not view it as something to be manipulated or managed.				

PRINCIPLE 4. ORGANIZATIONAL STRUCTURE

Control attribute: Management has established appropriate lines of financial reporting for each functional area and business unit in the organization.				
Example Control (1)	Document Actual Controls (2)	(3)	(4)	(5)
Management has established an organizational structure indicating roles and reporting lines for all employees, including those involved in financial reporting.				
Control attribute: Management maintains an organizational structure that facilitates effective reporting and other communications about internal control over financial reporting.				
Example Control (1)	Document Actual Controls (2)	(3)	(4)	(5)
Key areas of authority and responsibility are identified, and suitable lines of reporting are established.				
Management periodically assesses the number of people and necessary skills needed in the accounting department.				
A mechanism exists to ensure that deficiencies in internal control are communicated to appropriate management personnel.				

PRINCIPLE 5. FINANCIAL REPORTING COMPETENCIES

Control attribute: The entity identifies competencies that support accurate and reliable financial reporting.				
Example Control (1)	Document Actual Controls (2)	(3)	(4)	(5)
The entity maintains formal job descriptions that clearly outline the required duties and responsibilities for key positions, including financial reporting positions.				
Control attribute: The entity employs or otherwise retains individuals who possess the required competencies related to financial reporting.				
Example Control (1)	Document Actual Controls (2)	(3)	(4)	(5)
Before hiring for key financial positions, management establishes and agrees on the knowledge, skills, and abilities needed to effectively carry out associated responsibilities.				
Management supplements in-house financial reporting competencies, as needed, with outside specialists.				
Control attribute: The entity regularly evaluates and maintains needed competencies.				
Example Control (1)	Document Actual Controls (2)	(3)	(4)	(5)
Competencies of individuals serving in key financial reporting roles are periodically evaluated by those charged with governance (or the board or audit committee).				
Management periodically reviews and evaluates employees relative to their assigned roles to determine whether the employees' skills are appropriate for their current job responsibilities.				

PRINCIPLE 6. AUTHORITY AND RESPONSIBILITY

Control attribute: The board of directors oversees management's process for defining responsibilities for key financial reporting roles.				
Example Control (1)	Document Actual Controls (2)	(3)	(4)	(5)
For key financial reporting positions, those charged with governance (or the board or audit committee) review management's description of the position's responsibilities and authorities.				
Control attributes: The CEO and senior management maintain responsibility for sound internal control over financial reporting, including both initiating and maintaining the program. Senior and functional management are responsible for ensuring all employees understand their responsibilities for achieving financial reporting objectives through adherence to internal control policies and procedures. The assignment of authority and responsibility includes appropriate limitations.				
Example Control (1)	Document Actual Controls (2)	(3)	(4)	(5)
There is clear assignment of responsibility and authority for decision making with respect to areas with financial reporting significance.				
The assignment of authority and responsibility also includes limitations.				

PRINCIPLE 7. HUMAN RESOURCES POLICIES AND PRACTICES AND COMMITMENT TO COMPETENCE

Control attribute: Management has established human resources practices that demonstrate its commitment to integrity, ethical behavior, and competence.				
Example Control (1)	Document Actual Controls (2)	(3)	(4)	(5)
The entity has employee handbooks (or equivalent) that adequately describe human resources policies and practices.				
The entity periodically updates materials outlining its human resources policies and practices.				
Control attribute: Employee recruitment and retention for key financial positions is guided by the principles of integrity and by the necessary competencies associated with the positions.				
Example Control (1)	Document Actual Controls (2)	(3)	(4)	(5)
Management reviews resumes and performs reference checks in considering candidates for key financial reporting positions.				
For positions with high-level responsibility, background checks are performed.				
Control attribute: Management supports employees by providing access to the tools and training needed to perform their financial reporting roles.				
Example Control (1)	Document Actual Controls (2)	(3)	(4)	(5)
Training and awareness programs are provided to promote ethical behavior.				
Financial reporting training is provided to employees involved in the financial reporting process.				
Control attribute: Employee performance evaluations and the entity's compensation practices, including those affecting top management, support the achievement of financial reporting objectives.				
Example Control (1)	Document Actual Controls (2)	(3)	(4)	(5)
All personnel (regardless of organizational status) receive a periodic performance review and appraisal, and the results are well documented.				
Exit interviews include inquiries about concerns related to integrity and ethical values, financial reporting, and internal control.				
Those charged with governance (or the board or audit committee) review management compensation plans to determine whether the plans create an inappropriately high risk of financial reporting misstatements.				
Management evaluates the sufficiency and competency of personnel involved in recording and reporting financial information. (Note: Matters of evaluation may include technical skills, nature and frequency of training, ability to identify issues, ability to articulate positions, and ability to stay abreast of financial reporting developments.)				

Entity-Level Risk Assessment

[Instructions](#)

PRINCIPLE 8. FINANCIAL REPORTING OBJECTIVES, & PRINCIPLE 9. FINANCIAL REPORTING RISKS

Control attributes: Financial reporting objectives are consistent with generally accepted accounting principles (GAAP). The accounting principles selected are appropriate in the circumstances.

Example Control (1)	Document Actual Controls (2)	(3)	(4)	(5)
Management has a defined process for identifying internal risks relevant to the preparation of financial statements in conformity with GAAP, such as account characteristics, business process characteristics, and entity-wide factors.				
Management has a defined process for identifying external risks relevant to the preparation of financial statements in conformity with GAAP, such as economic, competitive, and industry conditions, regulatory and political environment, changes in technology, supply sources, customer demands, or creditor requirements.				
Once risks relevant to the preparation of financial statements in conformity with GAAP are identified, management assesses their significance, the likelihood of occurrence, and how they should be managed.				
Management updates its risk assessment on a periodic basis.				
Key finance personnel periodically meet with executive management, IT personnel, HR personnel, and legal counsel to identify issues that may affect financial reporting.				

PRINCIPLE 10. FRAUD RISK

Control attribute: The entity's assessment of fraud risks considers incentives and pressures, attitudes, and rationalizations, as well as opportunity to commit fraud.

Example Control (1)	Document Actual Controls (2)	(3)	(4)	(5)
Those charged with governance (or the board or audit committee) and management review the entity's compensation and performance evaluation programs to identify potential incentives and pressures for employees to commit fraud.				
Control attribute: The entity's assessment considers risk factors that influence the likelihood of someone committing a fraud and the impact of a fraud on financial reporting.				

Example Control (1)	Document Actual Controls (2)	(3)	(4)	(5)
Management conducts a periodic fraud risk assessment to identify the various ways that fraud and misconduct can occur, and documentation of this assessment is maintained.				
Management considers how an individual might seek to circumvent or override controls intended to prevent and detect fraud.				
Management uses information technology tools including security systems, fraud detection and monitoring systems, and incident tracking systems to identify and manage fraud risk.				
Control attribute: The responsibility and accountability for fraud policies and procedures reside with the management of the business or function in which the risk resides.				
Example Control (1)	Document Actual Controls (2)	(3)	(4)	(5)
The entity maintains an incident investigation and remediation system that includes a tracking mechanism to allow management to report on material fraud events.				
Internal auditors incorporate the results of the fraud risk assessment into their internal audit plan.				

Entity-Level Information and Communication

[Instructions](#)

PRINCIPLE 15. FINANCIAL REPORTING INFORMATION, & PRINCIPLE 16. INTERNAL CONTROL

Control attributes: Data underlying financial statements are captured (optimally, at the source) completely, accurately, and timely. Information systems produce information that is timely, current, accurate, and accessible. The quality of system information is reviewed periodically to assess its reliability and timeliness in meeting the company's internal control objectives.

Example Control (1)	Document Actual Controls (2)	(3)	(4)	(5)
Management periodically assesses the sufficiency of its information systems to capture and report data that are timely, current, accurate, and accessible.				
Management periodically assesses data reported to determine whether such data are sufficient to meet its financial reporting objectives. The assessment may include the following: <ul style="list-style-type: none"> - timeliness and accuracy of the data; - accessibility of the data; - nature of the data, including sufficiency of financial, operating, and external data; and - ability to trigger exception resolution and root cause analysis. 				

PRINCIPLE 17. INTERNAL COMMUNICATION

Control attribute: Management communicates to all personnel, particularly those in roles affecting financial reporting, that internal control over financial reporting must be taken seriously.

Example Control (1)	Document Actual Controls (2)	(3)	(4)	(5)
Management communicates information about the entity's financial reporting objectives, relevant internal control policies and procedures, and related individual responsibilities via broadcast E-mails, conference calls, or Webcasts to reinforce the entity's commitment to internal control, including updates on internal and external matters.				
An intranet site or other communication tool is maintained for disseminating information, including information about internal control over financial reporting. This Web site or tool also contains the entity's code of conduct and related content dealing with integrity and ethical values.				

Control attribute: Open channels for communications exist between management and the board of directors so that both have information needed to fulfill their roles with respect to financial reporting objectives.

Example Control (1)	Document Actual Controls (2)	(3)	(4)	(5)
The CFO reviews and discusses financial information and other information with those charged with governance (or the board or audit committee).				
The entity makes widely available information on how to access and submit a matter using the entity's whistle-blower program.				
Control attribute: Separate lines of communication are in place and serve as a “fail-safe” mechanism in case normal channels are inoperative or ineffective.				
Example Control (1)	Document Actual Controls (2)	(3)	(4)	(5)
The entity provides for alternative reporting lines such as coaching/ mentoring relationships in the event that communicating through the normal reporting lines is ineffective.				
Control attribute: The board has access to information sources outside of management, on a regular basis and as needed, including access to the external auditors, the internal auditors, and other relevant parties (such as regulatory authorities).				
Example Control (1)	Document Actual Controls (2)	(3)	(4)	(5)
The board or audit committee consults with outside advisors whenever it believes outside expertise is necessary.				

PRINCIPLE 18. EXTERNAL COMMUNICATION

Control attribute: Open channels for external communication exist to allow input from customers, consumers, end users, suppliers, external auditors, regulators, financial analysts, and others, and provide management and the board with important information on the effectiveness of internal control over financial reporting.

Example Control (1)	Document Actual Controls (2)	(3)	(4)	(5)
The entity makes a whistle-blower program available to external parties, such as customers, suppliers, vendors, and others.				
The entity surveys external parties, such as customers, suppliers, vendors, and others on their perception of the integrity and ethical values of personnel.				

Control attribute: The achievement of internal control over financial reporting is assessed, where required by external auditors, and the assessment is formally communicated to management and the board.

Example Control (1)	Document Actual Controls (2)	(3)	(4)	(5)
Management and the external auditor address with those charged with governance (or the board or audit committee) the external auditor's findings and management's proposed resolutions.				

Entity-Level Monitoring

[Instructions](#)

PRINCIPLE 19. ONGOING AND SEPARATE EVALUATIONS

Control attribute: Ongoing monitoring is built into operations throughout the entity.				
Example Control (1)	Document Actual Controls (2)	(3)	(4)	(5)
Management compares actual performance against budget, and variances are investigated to determine whether there are possible errors, fraud, or internal control problems.				
Control attribute: Evaluations provide an objective consideration of the overall internal control over financial reporting.				
Example Control (1)	Document Actual Controls (2)	(3)	(4)	(5)
Management has established normal, recurring supervisory activities, consisting of metrics about controls in processes, and current performance is regularly tracked and compared with target performance.				
An internal audit department exists that is appropriately independent of management (or other testing function such as loan review or compliance).				
Reports from regulators or other third parties are reviewed to determine whether they indicate possible deficiencies in internal control.				
Customer complaints are reviewed to determine whether they indicate possible deficiencies in internal control.				
Control attribute: The evaluator understands the components being evaluated and how they relate to the activities supporting the reliability of financial reporting.				
Example Control (1)	Document Actual Controls (2)	(3)	(4)	(5)
Internal audit / compliance testing staff are qualified and have appropriate knowledge of the entity.				
Control attribute: Management receives feedback on the effectiveness of internal control over financial reporting.				
Example Control (1)	Document Actual Controls (2)	(3)	(4)	(5)
Results of control monitoring and audit activities are reported to management.				
Control attribute: Management varies the scope and frequency of separate evaluations depending on the significance of risks being controlled, the importance of the controls in mitigating those risks, and the overall effectiveness of ongoing monitoring.				
Example Control (1)	Document Actual Controls (2)	(3)	(4)	(5)
Internal audit / compliance testing annual plans include a risk analysis of all significant operating and reporting areas of the entity, as a means to prioritize efforts for the year.				

PRINCIPLE 20. REPORTING DEFICIENCIES

Control attribute: Findings of internal control deficiencies are reported to the individual who owns the process and related controls, and who is in position to take corrective actions. Findings also are reported to at least one level of management above the process owner.

Example Control (1)	Document Actual Controls (2)	(3)	(4)	(5)
The entity has established a practice requiring all deficiencies (from any source) to be reported to the responsible manager and the manager one level higher.				
The entity has established a practice that requires all deficiencies to be rated as to their risk to the reliability of financial reporting.				

Control attributes: Deficiencies that affect internal control over financial reporting are communicated to top management and the board or audit committee, regularly and as necessary.

Example Control (1)	Document Actual Controls (2)	(3)	(4)	(5)
The entity has established a practice that requires all deficiencies that have been rated as a serious threat to the reliability of financial reporting to be reported to senior management and to those charged with governance (i.e., the board or audit committee).				
The entity has established an alternative reporting channel for deficiencies that are sensitive in nature, such as illegal or improper acts.				

Control attribute: Deficiencies reported from both internal and external sources are considered for internal control implications, and timely corrective actions are identified and taken.

Example Control (1)	Document Actual Controls (2)	(3)	(4)	(5)
The entity has established a practice that requires it to attempt to correct all deficiencies that have been rated as a serious threat to the reliability of financial reporting.				
Those charged with governance (i.e., the board or audit committee) track the status of all deficiencies that have been rated as a serious threat to the reliability of financial reporting until satisfactorily resolved.				
Complete reports of deficiencies in internal control from internal and external sources are provided to those charged with governance (i.e., the board or audit committee).				

Period-End Financial Reporting

[Instructions](#)

GENERAL LEDGER AND JOURNAL ENTRIES

Control attribute: The entity has established procedures to record all transaction totals on the general ledger.				
Example Control (1)	Document Actual Controls (2)	(3)	(4)	(5)
Daily transaction totals from subsidiary systems are reconciled to the journal entry(s) recorded in the general ledger system for systems that interface with the general ledger.				
Access to and ability to edit subsidiary system transactional detail is appropriately restricted.				
Access to manually post subsidiary system transactional detail to the general ledger is appropriately restricted.				
Control attribute: The entity has established procedures to record standard and nonstandard journal entries in the general ledger.				
Example Control (1)	Document Actual Controls (2)	(3)	(4)	(5)
Nonstandard entries (such as entries to record nonrecurring or unusual transactions and nonrecurring estimates, such as an asset impairment) are required to be reviewed and approved by the entity's CFO or equivalent.				
Standard and nonstandard entries, including online entries, are signed by the individual who prepared the entry and by the individual who approved / reviewed the entry.				
Standard and nonstandard entries, including online entries, are recorded using appropriate segregation of duties between those who prepare, approve, and post entries and those who reconcile the general ledger account.				
Access to and ability to initiate and record general ledger entries is appropriately restricted.				
Control attribute: The entity has established procedures to manage the general ledger and chart of accounts.				
Example Control (1)	Document Actual Controls (2)	(3)	(4)	(5)
Procedures to control modifications to the chart of accounts, such as opening and closing accounts and changing account characteristics, have been established.				
Procedures exist to ensure that all balance sheet accounts are reconciled to related detailed records.				

PERIOD-END CLOSING, CONSOLIDATING THE GENERAL LEDGER, AND PREPARING THE FINANCIAL STATEMENTS AND DISCLOSURES

Control attribute: The entity has established period-end closing procedures.				
Example Control (1)	Document Actual Controls (2)	(3)	(4)	(5)
Detailed period-end closing procedures, including details of standard closing entries, sources of information to create such entries, and other closing procedures have been established.				
A period-end close package documenting all closing entries created, the data sources used to create such entries, and other procedures performed is created for each close.				
The period-end close package is reviewed and compared with the general ledger by a person not involved in preparing the close package or performing the close.				
Control attribute: The entity has established procedures to combine or consolidate general ledger data.				
Example Control (1)	Document Actual Controls (2)	(3)	(4)	(5)
Detailed consolidation procedures, including details of standard adjusting, reclassifying, consolidating, and eliminating entries, sources of information to create such entries, and other consolidation procedures, have been established.				
General ledger detail imported or entered into the consolidation/reporting system is reconciled to the final period-end general ledger from the accounting system.				
A consolidation package documenting general ledger detail, adjusting, reclassifying, consolidating, and eliminating entries, the data sources used to create such entries, groupings of accounts to financial statement lines, and other procedures performed is created for each consolidation.				
The consolidation package is reviewed by a person not involved in preparing the consolidation package or performing the consolidation.				
Control attribute: The entity has established procedures to select accounting principles that conform to GAAP.				
Example Control (1)	Document Actual Controls (2)	(3)	(4)	(5)
Newly issued accounting standards are reviewed to determine applicability to and impact on the entity.				
New business transactions are reviewed to determine appropriate accounting.				
Personnel responsible for financial reporting have access to an accounting research tool such as Accounting Research Manager.				
Personnel responsible for financial reporting keep current with accounting and financial reporting developments.				

Control attribute: The entity has established procedures to prepare the financial statements and disclosures. (MANAGEMENT PREPARES THE FINANCIAL STATEMENTS INTERNALLY.)				
Example Control (1)	Document Actual Controls (2)	(3)	(4)	(5)
Detailed financial reporting procedures, including sources of information necessary to prepare the financial statements and disclosures, have been established.				
Financial statements and disclosures are prepared by personnel sufficiently familiar with the entity and with financial reporting				
Financial reporting personnel use current and reliable GAAP/SEC checklists, including industry supplements.				
A financial reporting package documenting sources of information used to prepare the financial statements and disclosures and how such information reconciles to the accounting records is created for each financial report.				
The financial statements and disclosures and the financial reporting package are reviewed by a person sufficiently familiar with the entity and financial reporting rules and who was not involved in preparing the financial reporting package or the financial statements and disclosures.				
Significant events occurring subsequent to period-end are reviewed to determine whether the event should be disclosed or recorded in the financial statements and disclosures.				
Control attribute: The entity has established procedures to prepare the financial statements and disclosures. (MANAGEMENT OUTSOURCES PREPARATION OF THE FINANCIAL STATEMENTS.)				
Example Control (1)	Document Actual Controls (2)	(3)	(4)	(5)
Detailed financial reporting procedures, including sources of information necessary to prepare the financial statements and disclosures, have been established.				
A contractual relationship with the financial reporting vendor exists that indicates the scope of the vendor's services and that the financial statements will be prepared using U.S. GAAP (or other basis as appropriate).				
Management has recently assessed and documented the qualifications of the vendor to prepare financial statements in accordance with U.S. GAAP (or other basis as appropriate).				
Management understands that it is responsible for the accuracy of the financial statements.				
Information to be provided to the vendor is reviewed prior to sending it to the vendor by personnel sufficiently familiar with the entity.				

Personnel sufficiently familiar with the entity review the financial statements and disclosures received from the vendor for accuracy, including reconciling selected information in the financial statements and disclosures to the accounting records.				
The financial statements and disclosures received from the vendor are reviewed using current and reliable GAAP checklists by personnel sufficiently familiar with the entity.				
Significant events occurring subsequent to period-end are reviewed to determine whether the event should be disclosed or recorded in the financial statements and disclosures.				

Budgets

[Instructions](#)

Control attribute: The entity has established appropriate budgetary controls.				
Example Control (1)	Document Actual Controls (2)	(3)	(4)	(5)
The entity has approved and documented formal budget preparation procedures, and the procedures are adhered to by the governing body and management.				
Budgets are created and approved annually by the board of directors or another appropriate authority.				
Budget amendments are created and approved by the board of directors or another appropriate authority.				
The budget is input into the general ledger and reviewed for accuracy.				
The budget is monitored during the year by management. Variances from the approved budget are investigated. Actual results are compared with the budget, and variances from the budget are investigated.				

Account-Level Risk Assessment Worksheets

ACCOUNT-LEVEL CONTROL RISK ASSESSMENT:

The Risk Assessment Standards require an assessment of internal controls specific to significant accounts and relevant assertions. Relevant assertions are further defined as those assertions that have a meaningful bearing on whether an account is fairly stated. While the standards identify 13 possible assertions, the assertions may be grouped together for assessment purposes to the extent they fall in similar categories. For the purposes of this Toolkit, Crowe has grouped the assertions into the categories listed in the following table:

LEGEND OF ASSERTIONS		
Coding	Assertion	Description
EO	Existence and occurrence	Transactions and events that have been recorded have occurred and pertain to the entity; assets, liabilities, and equity interests exist; disclosed events and transactions have occurred and pertain to the institution.
C	Completeness	All transactions and events that should have been recorded have been recorded; all assets, liabilities, and equity interests that should have been recorded are recorded; all disclosures that should have been included are included in the financial statements.
RO	Rights and obligations	The institution holds or controls the rights to assets, and liabilities are true obligations of the institution.
VA	Valuation and allocation	Assets, liabilities, and equity interests are included in the financial statements at appropriate amounts, and any resulting valuations or allocation adjustments are appropriately recorded.
CO	Cutoff	Transactions and events have been recorded in the correct accounting period.
AC	Accuracy and classification	Amounts and other data relating to recorded transactions and events have been recorded appropriately; financial information is appropriately presented and described, and disclosures are clearly expressed; financial and other information is disclosed fairly and at appropriate amounts.

SUMMARY OF THE FIVE-STEP PROCESS		
Step #	Procedure	Description
(1)	Review checklist	Review, scan, and consider the listing of prepopulated controls.
(2)	Document controls	Complete documentation and write up controls specifically within your organization.
(3)	Evaluate design	Consider whether the controls in place are designed properly.
(4)	Corroborate implementation	Verify that key controls (which are properly designed) exist; consider supporting documentation.
(5)	Test operating effectiveness *	Sample test key controls to determine they are functioning effectively as designed.

* Generally performed only by internal auditors.

ALRA Tabs	(Y/N) Applicable	Relevant Assertions					
		EO	C	RO	VA	CO	AC
Cash							
Investments							
Alternative Investments							
Accrued Interest Receivable							
Derivatives and Hedging							
Notes Receivable							
Prepays							
Fixed Assets, Net							
Intangibles, Net							
CSV - Life Insurance							
Inventory							
Other Assets							
Accounts Payable							
Grants Payable							
Funds Held for Others							
Debt							
Acc. Int. Payable							
Payroll							
Self-Insurance							
Pension							
Annuity Liabilities							
Acc. Exp. & Other Liab.							
Net Assets							
Tax-Exempt Status							
Revenue (Tuition)							
Revenue (Grants)							
Revenue (Contributions)							
Revenue (Student Loans)							
Revenue (Taxes)							
Allowance							
Other Income & Expense							
Related-Party Trans.							

Cash

[Instructions](#)

[Leadsheet](#)

Example Control (1)	Document Actual Controls (2)	Assertion Addressed	(3)	(4)	(5)
Cash general ledger accounts are reconciled to bank statements on a timely basis (daily, weekly, or monthly depending on volume of activity). Reconciling items are clearly identified on a reconciliation form and followed up on a timely basis. Reconciliations are regularly reviewed and approved by a supervisor.	EXAMPLE - The assistant controller reconciles cash to bank statements monthly. The controller reviews this reconciliation.	EO, C, RO			
Employees who reconcile bank accounts are restricted from making general ledger entries or disbursing or wire-transferring funds from bank accounts.		EO			
A person independent of the accounting and reconciliation functions receives the bank statements directly from the bank unopened and scans activity for anything unusual.		EO			
EFT transactions may be initiated only by authorized individuals.		EO			
Documented approval for a wire transfer is required to be obtained before the wire is executed. Callback procedures are used to validate the authenticity of the individual requesting the wire. Phone requests are accepted only for those customers for whom the bank has a completed wire transfer agreement on file and a PIN or preauthorized code has been assigned.		EO			
There is appropriate segregation of duties between individuals involved in input, verification, and approval functions of the wire transfers.		EO			
Prior approval for wire transfers in excess of preset limits is required.		EO			

Data files are protected from unauthorized access through the establishment of user IDs and passwords that are periodically reviewed.		EO			
Entity has control procedures in place to prevent unauthorized checks from clearing the bank or unauthorized amounts.		EO			
Management periodically evaluates institutions where it has deposits for credit concerns. Uninsured balances are maintained only at institutions with acceptable credit ratings.		VA, AC			
Documentation is maintained relative to applicable restrictions on cash accounts. Restrictions are monitored and procedures are in place to ensure that cash is utilized only for restricted purposes.		RO, AC			
A control list of institutions with which the company has deposits is maintained. Financial statements prepared internally are reviewed consistently by a member of management to ensure that cash overdrafts are properly reported as liabilities.		AC			
Compensating balance arrangements are identified and monitored.		AC			
Other					
Other					

Note: Failure to implement adequate controls over relevant assertions is an indication of a control deficiency. Control deficiencies may be classified as deficiencies, significant deficiencies, or material weaknesses.

Investments - Gain/Loss on Sales of Investments

[Instructions](#)

[Leadsheet](#)

Example Control (1)	Document Actual Controls (2)	Assertion Addressed	(3)	(4)	(5)
Statements from custodians of investments are reviewed monthly and reconciled to the general ledger by an individual independent of the cash recording or investment authorization function and are reviewed and approved by an independent person.		EO, C			
Adjustments to fair value (unrealized gains and losses) and reconciliations are reviewed monthly by an individual independent of the cash recording or investment authorization function.		EO, VA			
Management performs monitoring procedures (obtains SAS 70 reports or sample tests individual investments) over investment managers to verify that fair market values, investment gains/losses, and interest and dividend yields reported by the manager are appropriate.		VA, AC			
A formal policy is in place relative to the accounting and maintenance of pooled investment funds, if applicable.		VA, RO, AC			
Allocations across pooled investment accounts are computed and recorded and independently reviewed by a supervisory accountant (controller or CFO).		VA, AC			
Management maintains an investment policy that is reviewed and approved by the board or investment committee. Policy provides guidance on prudent investing and spending (i.e., establishing a spending formula) for investment funds.		AC			
Management performs monitoring procedures over investment managers to ensure compliance with investment policy.		AC			

Transfers (including wire transfers) between investments and cash accounts are reviewed and approved before they are executed by an individual independent of the recording function.		AC			
Appropriate individuals have been authorized to initiate and approve investment transactions with safekeeping agents, including identifying and removing securities from pledged status.		AC, RO			
Management properly monitors donor restrictions on income and investment gains and losses where such amounts are to be held for temporarily or permanently restricted purposes.		AC, RO			
Other					
Other					

Note: Failure to implement adequate controls over relevant assertions is an indication of a control deficiency. Control deficiencies may be classified as deficiencies, significant deficiencies, or material weaknesses.

Alternative Investments (Investments Without Readily Determinable Fair Values)

[Instructions](#)

[Leadsheet](#)

Example Control (1)	Document Actual Controls (2)	Assertion Addressed	(3)	(4)	(5)
Statements from the fund managers of alternative investments are reviewed monthly, quarterly, or annually and are reconciled to the general ledger by an individual independent of the cash recording or investment authorization function and are reviewed and approved by an independent person.		EO			
Management continuously maintains and updates a control listing of all alternative investments owned by the company grouped by fund or manager.		EO, C			
Management performs monitoring procedures (obtains SAS 70 reports or sample tests individual investments) over investment managers to verify that fair market values, investment gains/losses, and interest and dividend yields reported by the manager are appropriate.		VA, AC			
Management and/or the investment committee periodically compare performance to benchmark and expected returns, as well as publicly traded information (public-sector indexes for hedge funds).		VA			
Management performs ongoing review of fund communications, including obtaining and reviewing annual audited financial statements, noting whether opinion is qualified/unqualified, changes in auditor, and changes in valuation procedures.		VA			

<p>Due diligence procedures are performed by management prior to entering into alternative investment arrangements. Example procedures are as follows:</p> <ul style="list-style-type: none"> - Conduct face-to-face meetings or site visits with investment firm management. - Evaluate investment strategies, process, and portfolio management, including review of historical performance and valuation policies. - Review financial statements, partnership agreements, offering memorandums, and other legal agreements. - Evaluate how the specific allocation "fits" within the asset class and overall portfolio of the company. - Solicit information regarding the fund manager/investee from outside consultants or members of the board/investment committee who have prior knowledge. - Perform reference checks and background checks. - Complete formal investment memorandum/write-up or perform other investment approval review. 		VA			
<p>Management performs a recalculation of fund values based upon reported values as of the fund audit report date, +/- capital contributions/distributions. Financial statements, appraisals, cash flow projections, or other relevant data are obtained and reviewed by management in connection with the determination of reasonableness of reported investment values.</p>		VA			
<p>Management maintains an investment policy that allows investments in "alternative" investments that is reviewed and approved by the board, and the appropriate personnel ensure that procedures and transactions are in compliance with the policy.</p>		AC			

Management performs monitoring procedures over investment managers to ensure compliance with investment policy.		AC			
Other					
Other					

Note: Failure to implement adequate controls over relevant assertions is an indication of a control deficiency. Control deficiencies may be classified as deficiencies, significant deficiencies, or material weaknesses.

Accrued Interest Receivable

[Instructions](#)

[Leadsheet](#)

Example Control (1)	Document Actual Controls (2)	Assertion Addressed	(3)	(4)	(5)
Accrued interest receivable on securities/investments is balanced between general ledger and subsidiary records on a periodic basis. These reconciliations are routinely reviewed and approved by a supervisor.		EO			
Accrued interest receivable/interest income is recomputed to ensure that amounts reported on investment statements appear appropriate.		C, VA, AC			
Yields for each investment category are computed periodically, and significant variances from expected yields are identified and followed up.		VA, AC			
Other					
Other					

Note: Failure to implement adequate controls over relevant assertions is an indication of a control deficiency. Control deficiencies may be classified as deficiencies, significant deficiencies, or material weaknesses.

Derivatives and Hedging

[Instructions](#)

[Leadsheet](#)

Example Control (1)	Document Actual Controls (2)	Assertion Addressed	(3)	(4)	(5)
All derivative transactions are reviewed and approved formally by management and/or the board prior to executing agreements with counterparties.		EO			
Cash disbursements to initiate a derivative position are subject to appropriate approval and recording controls.		EO			
Period-end balances (fair value, accrued interest, etc.) and net settlements on derivative transactions are independently reconciled to external records (e.g., counterparty statements, broker records, and bank statements); and discrepancies, including nonreceipt of counterparty confirmations, are promptly resolved by persons independent of the function.		EO, C, VA			
Interest income/expense recorded on derivative positions (including accrued amounts) is reviewed for accuracy by someone other than the person who computed or recorded the income/expense.		EO			
Management reviews contracts with potential derivative-like features to ensure completeness of derivative inventory and identification of embedded derivatives that may require separate accounting.		EO, C			
Management has established procedures for determining the fair value of derivatives at each period-end reporting date. For derivatives designated as hedges, management has established procedures for assessing hedge effectiveness at each period-end reporting date. Appropriate and contemporaneous documentation is maintained at inception and throughout the life of the hedge.		VA			

Supervisory personnel review the periodic effectiveness assessments of each hedge to ensure that the entity has a basis to conclude that the hedge has been and is expected to be effective.		VA			
Formal documentation and designation of the hedging relationship are reviewed timely and signed and dated to evidence the review.		AC			
Written policies, approved by the board of directors or one of its committees, provide guidance on identification, classification, and monitoring of derivatives. The policy covers the entity's objectives for using derivative instruments, acceptable types of derivative instruments, including position limits for each type, to use in achieving those objectives, and communication and monitoring of the use of derivatives and strategy by management and the board.		AC			
Other					
Other					

Note: Failure to implement adequate controls over relevant assertions is an indication of a control deficiency. Control deficiencies may be classified as deficiencies, significant deficiencies, or material weaknesses.

Notes Receivable

[Instructions](#)

[Leadsheet](#)

Example Control (1)	Document Actual Controls (2)	Assertion Addressed	(3)	(4)	(5)
Notes receivable accounts are properly reconciled monthly or periodically reviewed by an individual independent of the cash receipts function.		EO			
Notes receivable are identified and supported by formal notes or by other documentation that is approved by authorized individuals.		EO, RO			
If notes are received at other than market rates, management performs an analysis of the impact on the carrying amount of the notes.		VA			
Notes receivable are reviewed regularly for proper classification.		AC			
Other					
Other					

Note: Failure to implement adequate controls over relevant assertions is an indication of a control deficiency. Control deficiencies may be classified as deficiencies, significant deficiencies, or material weaknesses.

Prepaid Expenses

[Instructions](#)

[Leadsheet](#)

Example Control (1)	Document Actual Controls (2)	Assertion Addressed	(3)	(4)	(5)
Disbursements and payments are reviewed to determine whether they should be capitalized as prepaids and amortized over a defined term or expensed immediately.		EO			
Detailed schedules/computations of prepaids are maintained and periodically reconciled to the general ledger. Remaining amortization periods are periodically reviewed for propriety. These reconciliations are routinely reviewed and approved by a supervisor.		EO			
Management maintains documentation to support its right to prepaid assets.		RO			
Prepaid assets are periodically subjected to impairment analysis.		VA			
Insurance expenses (and other expenses that may be prepaid) are reviewed analytically and in comparison with budgeted amounts. Significant deviations from expectations are investigated and documented.		AC			
Other					
Other					

Note: Failure to implement adequate controls over relevant assertions is an indication of a control deficiency. Control deficiencies may be classified as deficiencies, significant deficiencies, or material weaknesses.

Fixed Assets, Net of Accumulated Depreciation

[Instructions](#)

[Leadsheet](#)

Example Control (1)	Document Actual Controls (2)	Assertion Addressed	(3)	(4)	(5)
Detailed records are maintained for property and equipment and their useful life and are periodically reconciled to the general ledger, including depreciation expense and gains and losses on sales and disposals.		EO, C			
Formal capitalization policy has been created and has been approved by the board.		EO, C			
Disbursements and payments for assets and repairs and maintenance are reviewed for capitalization or expensing in accordance with company policy.		EO, C			
Appropriate individuals are assigned the responsibility for authorizing the acquisition of property and equipment.		EO			
Computer equipment and other valuable assets susceptible to theft are physically safeguarded.		EO			
Periodic inventory of property and equipment is taken, and that detail is compared with detail in subsidiary ledgers (both directions).		EO, C			
Management maintains documentation to support its ownership of the premises and equipment.		RO			
Computations of depreciation expense (either performed by system or through Excel spreadsheets) are periodically checked for accuracy.		VA, AC			
Management periodically performs an analysis to assess whether property and equipment has become impaired. Management has identified, and separated from other property and equipment, assets that are not in service, idle, abandoned, scrapped, or held for sale, and asset impairment is considered.		VA, AC			

For assets purchased in connection with a business combination or acquisition, costs of assets are allocated properly, based on their respective fair values, between depreciable and nondepreciable portions.		VA, AC			
New or modified leases are evaluated for operating versus capital lease decisions.		AC			
Inventory of all operating and capital leases is maintained, and periodically updated for new or modified leases. Disclosures of lease commitments are accurately determined at year-end.		AC			
Operating leases with rent escalation clauses are reviewed upon inception or renewal to determine the appropriate method to use to record lease expense.		AC			
Depreciation, repairs and maintenance, and other related expenses are reviewed for appropriate classification (functional expense categories - FASB institutions only).		AC			
Significant construction contracts are reviewed and approved by the board prior to executing the agreement.		AC			
During construction periods, management performs an analysis to determine the need to capitalize interest costs.		AC			
Repairs and maintenance, leases/rents, and depreciation expense are reviewed analytically by management and compared with budgeted amounts. Significant deviations are investigated and documented.		AC			
Other					
Other					

Note: Failure to implement adequate controls over relevant assertions is an indication of a control deficiency. Control deficiencies may be classified as deficiencies, significant deficiencies, or material weaknesses.

Intangibles, Net of Accumulated Amortization

[Instructions](#)

[Leadsheet](#)

Example Control (1)	Document Actual Controls (2)	Assertion Addressed	(3)	(4)	(5)
Accounting entries made to record intangibles acquired in a business combination transaction and any interest rate adjustments recorded for acquired interest-bearing assets and liabilities are adequately supported and reviewed by management to ensure accuracy.		EO			
Loan issuance costs are adequately supported and reviewed by management to ensure accuracy.		EO			
Identifiable intangible assets and any interest rate adjustments are reconciled to supporting schedules, and such reconciliations are reviewed and approved.		EO, C			
Fair values assigned to the intangible assets and any interest rate adjustments assigned to interest-bearing assets and liabilities of the acquired entity are based on reliable data, reliable appraisals, reasonable assumptions, and/or market data and are reviewed by management to ensure accuracy.		VA			
Management documents and retains its periodic testing of the carrying value of intangible assets and any interest rate adjustments, including comparing actual results in subsequent accounting periods to the estimates and assumptions made in recording intangible assets and any interest rate adjustments at the purchase date. Identifiable intangible assets and any interest rate adjustments are reviewed for continuing validity in each subsequent accounting period.		VA, AC			

Reasonable lives are estimated for identifiable intangible assets and any interest rate adjustments, and the values assigned are amortized to expense over the respective lives. Amortization expense entries are reviewed and approved.		VA, AC			
If the straight line method of amortization is used for loan issuance costs, management has performed an analysis to determine that the difference between the straight line method and the effective interest method is not material.		VA, AC			
Other					
Other					

Note: Failure to implement adequate controls over relevant assertions is an indication of a control deficiency. Control deficiencies may be classified as deficiencies, significant deficiencies, or material weaknesses.

Cash Surrender Value - Life Insurance

[Instructions](#)

[Leadsheet](#)

Example Control (1)	Document Actual Controls (2)	Assertion Addressed	(3)	(4)	(5)
Cash surrender value is periodically confirmed with the life insurance company by management.		EO			
Management maintains documentation to support its right to the cash value of the policy.		RO			
Any adjustments to cash surrender values or liabilities resulting from relevant provisions in split-dollar arrangements or other agreements are taken into consideration and, if applicable, properly supported.		VA, AC			
Other					
Other					

Note: Failure to implement adequate controls over relevant assertions is an indication of a control deficiency. Control deficiencies may be classified as deficiencies, significant deficiencies, or material weaknesses.

Inventory

[Instructions](#)

[Leadsheet](#)

Example Control (1)	Document Actual Controls (2)	Assertion Addressed	(3)	(4)	(5)
An inventory count is adequately planned and staffed; employees are appropriately trained and supervised; and there are written instructions for the count, which is performed at or near year-end.		EO			
Inventory is counted by people who are familiar with the product and are independent of inventory recordkeeping.		EO			
The inventory count is adequately supervised by employees who are independent of custodial responsibilities, shipping, receiving, or purchasing.		EO			
A well-designed perpetual system is in place and adequate controls are in place to ensure timely recording of incoming and outgoing products. Perpetual records are kept by someone who doesn't have responsibility for the stock, periodic cycle or test counts are performed, and differences are investigated and resolved timely.		EO			
Obsolete, slow-moving, or damaged items are physically segregated and identified by management.		VA			
Movement of inventory is stopped during the physical count.		CO			
Counts and pricing of items are independently double-checked by a second employee.		VA, AC			
The company periodically analyzes inventory quantities, aging of product, replacement costs, sales backlogs, and trends to identify products that may have a market value less than cost and provides appropriate valuation allowances if necessary.		VA, AC			
Other					
Other					

Note: Failure to implement adequate controls over relevant assertions is an indication of a control deficiency. Control deficiencies may be classified as deficiencies, significant deficiencies, or material weaknesses.

Other Assets

[Instructions](#)

[Leadsheet](#)

Example Control (1)	Document Actual Controls (2)	Assertion Addressed	(3)	(4)	(5)
Detailed records of other assets are maintained and periodically reconciled to the general ledger. These reconciliations are routinely reviewed and approved by a supervisor.		EO			
Other assets and other related accounts are reviewed by management on a monthly basis, and any unusual relationships or trends are investigated and resolved.		EO			
Management maintains documentation to support its right to other assets.		RO			
Other asset accounts are reviewed and updated regularly for classification, realization (cash receipt), and impairment.		VA, AC			
Management reviews other assets and ensures that they are recognized in the proper period.		CO, AC			
Other					
Other					

Note: Failure to implement adequate controls over relevant assertions is an indication of a control deficiency. Control deficiencies may be classified as deficiencies, significant deficiencies, or material weaknesses.

Accounts Payable

[Instructions](#)

[Leadsheet](#)

Example Control (1)	Document Actual Controls (2)	Assertion Addressed	(3)	(4)	(5)
Purchases require approved purchase order or written approval by authorized individual.		EO			
Check signers are not check preparers.		EO			
Bank signature cards are updated as appropriate upon personnel changes.		EO			
Blank checks are prenumbered and are maintained in a secure location, and sequence is accounted for.		EO			
The computer system does not allow an invoice number to be posted twice.		EO			
Signature authority over bank accounts (including authority to transfer funds among accounts and process EFTs) is restricted to management personnel not responsible for recording cash disbursements or reconciling bank accounts.		EO			
Signed checks are mailed by employees who are independent of disbursements and accounts payable functions.		EO			
Dual signatures are required for checks and disbursements over a specified limit.		EO			
Original invoices and supporting documents are canceled to prevent duplicate payment.		EO			
Vendor invoices are processed by accounts payable clerk(s) who is (are) independent of purchasing, receiving, and cash functions (not an authorized check signer or not responsible for posting of cash receipts).		C			
Only authorized individuals can add to the accounts payable approved vendor master file and accounts payable detail file, and changes are independently reviewed.		C			
The entity establishes timely control over all invoices received (for example, they are promptly entered into a purchases journal and subsidiary ledger).		C			

The accounts payable clerk does not have the ability to post general journal entries.		C			
Invoices include notations by authorized personnel relative to the posting of payables to the proper period.		CO			
Invoices include notations by authorized personnel relative to the posting of the related expense to the proper account.		AC			
Other					
Other					

Note: Failure to implement adequate controls over relevant assertions is an indication of a control deficiency. Control deficiencies may be classified as deficiencies, significant deficiencies, or material weaknesses.

Grants Payable, Grant Expense

[Instructions](#)

[Leadsheet](#)

Example Control (1)	Document Actual Controls (2)	Assertion Addressed	(3)	(4)	(5)
Grants to others are supported by authorization from the board, if applicable, or at a minimum, an approved policy is in place within the company outlining the purpose of and amount of grants to be awarded.		EO			
A review process exists to determine that grantees are in compliance with their grant agreement with the company.		EO			
Reconciliations are periodically performed between the amounts payable per the grant department and the accounting department, and the reconciliation is reviewed/approved by an authorized individual.		C			
Appropriate segregation of duties exists between individuals involved in approving grants to others and those with responsibility for custody and recordkeeping functions.		C			
Acknowledgment letters are sent to all grantees for authorized grants.		C			
Authorized, written grant agreements are in place that specify the conditions and terms of each grant.		AC			
Grant expense is reviewed analytically by management and compared with budgeted amounts. Significant deviations are investigated and documented.		AC			
Other					
Other					

Note: Failure to implement adequate controls over relevant assertions is an indication of a control deficiency. Control deficiencies may be classified as deficiencies, significant deficiencies, or material weaknesses.

Funds Held for Others (Statement of Financial Accounting Standards 136)

[Instructions](#)

[Leadsheet](#)

Example Control (1)	Document Actual Controls (2)	Assertion Addressed	(3)	(4)	(5)
Fund and endowment agreements (which are signed by all appropriate parties) are obtained and kept by the organization that outline terms of ownership, variance power, etc.		C, RO			
Contributions to endowment funds are receipted, and documentation is obtained to identify donor name and beneficiary organization.		C, RO			
Reports summarizing asset balance, investment income, realized/unrealized gains (losses), investment expenses, grants paid, etc. are prepared by management and submitted to beneficiary organizations periodically (monthly, quarterly, or annually). Any disputes or discrepancies with beneficiary records are resolved by management timely.		AC			
In the case of investment funds held for others that are pooled with other investments, a formal policy is in place relative to the accounting and maintenance of pooled investment funds, and the general ledger system possesses the ability to allocate income/expense appropriately across all funds based on number of units.		AC			
General ledger software automatically computes allocations of investment income/expenses across individual funds in an appropriate manner.		AC			
Management periodically recomputes and tests system-generated allocations to ensure they are appropriate.		AC			
Other					
Other					

Note: Failure to implement adequate controls over relevant assertions is an indication of a control deficiency. Control deficiencies may be classified as deficiencies, significant deficiencies, or material weaknesses.

Notes Payable, Debt, and Other Borrowings

[Instructions](#)

[Leadsheet](#)

Example Control (1)	Document Actual Controls (2)	Assertion Addressed	(3)	(4)	(5)
Borrowings shown on the general ledger are reconciled to statements on a regular basis. Reconciliations are reviewed by an appropriate supervisor.		C			
Appropriate segregation of duties exists between individuals involved in approving borrowings and recording/reconciling the accounts.		C			
Borrowings are authorized by board of directors, finance committees, or other appropriate individuals.		RO			
Approval of hedges used in complex/structured financial instruments is required by shareholders, board of directors, finance committees, or other appropriate individuals.		VA			
A system to monitor debt covenants on an ongoing basis is established, and covenants are calculated and approved in writing by an authorized individual.		AC			
Classification of long-term debt is reviewed by authorized individual and compared with appropriate loan documentation.		AC			
Other					
Other					

Note: Failure to implement adequate controls over relevant assertions is an indication of a control deficiency. Control deficiencies may be classified as deficiencies, significant deficiencies, or material weaknesses.

Accrued Interest Payable, Interest Expense

[Instructions](#)

[Leadsheet](#)

Example Control (1)	Document Actual Controls (2)	Assertion Addressed	(3)	(4)	(5)
Accrued interest payable on borrowings is balanced from the subsidiary ledger to the general ledger on a periodic basis by an individual with no conflicting duties. These reconciliations are routinely reviewed and approved by a supervisor.		C, CO			
Accrued interest payable/interest expense on borrowings is reconciled to the lenders' statements to validate expense recognition and valuation of accrued interest payable.		C, CO			
Accrued interest payable/interest expense on borrowings is computed by IT system to allow for reliable expense recognition and valuation of accrued interest payable. Management periodically verifies the accuracy of system calculations for all borrowing types.		VA			
Interest expense is reviewed analytically and compared with budgeted amounts by management on a periodic basis. Significant deviations from expectations are investigated and documented.		VA, AC			
Other					
Other					

Note: Failure to implement adequate controls over relevant assertions is an indication of a control deficiency. Control deficiencies may be classified as deficiencies, significant deficiencies, or material weaknesses.

Accrued Payroll Liabilities, Salaries, and Wages Expense

[Instructions](#)

[Leadsheet](#)

Example Control (1)	Document Actual Controls (2)	Assertion Addressed	(3)	(4)	(5)
Changes to payroll master files (pay rates, employees, deductions, etc.) are approved in writing by someone independent of payroll disbursement.		C			
The computation of accrued payroll, bonuses, and other related liabilities (compensated absences, taxes, benefits, etc.) are reconciled with the general ledger and reviewed and approved by an authorized individual.		C, CO, AC			
Wages and other related payroll expenses are periodically reconciled to payroll system reports.		C, CO, AC			
Wages and other related payroll expenses are reviewed analytically and in comparison to budgets. Significant deviations from expectations are investigated and documented.		C, CO, AC			
For outsourced payroll functions, SAS 70 reports are obtained and reviewed by management for control deficiencies and user control considerations.		C			
Timecards or other pertinent time records are approved by supervisors.		C			
Formal policy is in place outlining the treatment for unused vacation and sick days (i.e., if amounts carry over or are eligible for payout).		C			
Unused vacation and/or sick days are tracked by human resources, and information is available for management to accurately determine the need for appropriate accruals.		EO, C			
Payroll reports are reviewed and approved by an appropriate individual to ensure that fictitious employees are not present.		EO, C			
Payroll change reports from payroll service company are reviewed by someone independent of the payroll processing function.		AC			
Other					
Other					

Note: Failure to implement adequate controls over relevant assertions is an indication of a control deficiency. Control deficiencies may be classified as deficiencies, significant deficiencies, or material weaknesses.

Self-Insurance Liability

[Instructions](#)

[Leadsheet](#)

Example Control (1)	Document Actual Controls (2)	Assertion Addressed	(3)	(4)	(5)
A liability is established monthly for claims incurred but not yet paid that is reviewed by someone other than the preparer and determined to be reasonable in relation to company's loss history.		C, VA			
For third-party administrators, SAS 70 reports are obtained and reviewed by management for control deficiencies and user control considerations.		C			
Claim reports are reviewed by knowledgeable official before payment occurs.		C, VA			
Management performs a detailed review of claims expense to ensure that amounts being paid appear appropriate and to ensure that claims are not being paid in amounts in excess of individual and aggregate stop-loss limits.		AC			
Other					
Other					

Note: Failure to implement adequate controls over relevant assertions is an indication of a control deficiency. Control deficiencies may be classified as deficiencies, significant deficiencies, or material weaknesses.

Pension and Other Postretirement Health-Care Benefits Liability

[Instructions](#)

[Leadsheet](#)

Example Control (1)	Document Actual Controls (2)	Assertion Addressed	(3)	(4)	(5)
Benefit plans (both defined benefit and defined contribution), deferred compensation agreements, executive employment agreements, and other related agreements are approved by the board (evidenced in minutes) and full terms of agreements are in writing and signed by both the company and participant.		EO, C			
Obligations and assets held in custody related to benefit plans as recorded on the general ledger are periodically reconciled to supporting calculations or information by an individual who does not have conflicting duties.		C			
Disclosures of benefit plans (both defined benefit and defined contribution), deferred compensation agreements, executive employment agreements, and other related agreements are prepared utilizing inventory and from original plan documents. Financial information disclosures are derived from appropriate documents.		C			
Compensation expense is recorded based on the terms of the individual plan documents, and the calculations are reviewed for accuracy by an appropriate individual.		VA			
If needed, management engages an actuary or other expert to assist with computations of obligations (e.g., deferred comp. plans, defined benefit pension plans, postretirement health-care, or other plans). Methodology and assumptions used by actuary are provided by management and reviewed for reasonableness and updated for current conditions (e.g., discount rate used to determine postretirement benefit obligation long-term rate of return on assets).		VA			
Other					
Other					

Note: Failure to implement adequate controls over relevant assertions is an indication of a control deficiency. Control deficiencies may be classified as deficiencies, significant deficiencies, or material weaknesses.

Annuity Liabilities

[Instructions](#)

[Leadsheet](#)

Example Control (1)	Document Actual Controls (2)	Assertion Addressed	(3)	(4)	(5)
An authorized individual reviews terms of split-interest agreements and annuities to determine that liabilities are appropriately included in the financial statements.		C			
Board authorization (or approval by another equivalent authority) is obtained prior to entering into annuity agreements.		C			
Annuity agreements are obtained and signed by all appropriate parties and kept in a central file.		C			
Annuity agreements are reviewed by management for restrictions, and proper documentation is maintained available to ensure proper recording across net asset categories.		RO			
Documentation is obtained, reviewed, and maintained supporting the determination of annuity liabilities both at the inception of the agreement and over the term of the agreements.		VA			
Other					
Other					

Note: Failure to implement adequate controls over relevant assertions is an indication of a control deficiency. Control deficiencies may be classified as deficiencies, significant deficiencies, or material weaknesses.

Accrued Expenses and Other Liabilities

[Instructions](#)

[Leadsheet](#)

Example Control (1)	Document Actual Controls (2)	Assertion Addressed	(3)	(4)	(5)
Detailed records for other liabilities are maintained and periodically reconciled to the general ledger. Reconciliations are prepared by an individual who is not responsible for the approval and recording of transactions.		C			
Other liability accounts are periodically reviewed by management for reasonableness.		C, AC			
Management reviews and records contingent liabilities based on legal counsel's evaluation of the status of lawsuits and in accordance with FAS five.		C, AC			
Management obtains and reviews estimates from independent third parties.		VA			
Management reviews expenses to determine proper allocation between funds/functional expense categories.		VA			
Management reviews other liability expenditures and ensures that they are expensed and recognized in the proper period.		CO, AC			
Other					
Other					

Note: Failure to implement adequate controls over relevant assertions is an indication of a control deficiency. Control deficiencies may be classified as deficiencies, significant deficiencies, or material weaknesses.

Net Assets

[Instructions](#)

[Leadsheet](#)

Example Control (1)	Document Actual Controls (2)	Assertion Addressed	(3)	(4)	(5)
Entries are not made to fund equity/net assets without proper support and approval by management of the organization.		C			
Agreements are kept and maintained for permanently restricted endowment funds, to serve as documentation for the nature of restrictions on the initial gift as well as restrictions on the use of gift income.		EO, C			
Accounting records are structured in a manner that allows restricted contributions to be tracked separately.		C, AC			
Restrictions to fund equity/net assets are reviewed by management.		VA, AC			
Designated individuals are responsible for ensuring that restricted contributions are properly accounted for, to ensure compliance with donor terms and conditions, including time or purpose restrictions.		VA, AC			
Management reviews classifications of net assets/fund balances at end of fiscal year.		AC			
Governmental net asset restrictions are reviewed for proper classification of "expendable" and "nonexpendable."		AC			
Other					
Other					

Note: Failure to implement adequate controls over relevant assertions is an indication of a control deficiency. Control deficiencies may be classified as deficiencies, significant deficiencies, or material weaknesses.

Tax-Exempt Status

[Instructions](#)

[Leadsheet](#)

Example Control (1)	Document Actual Controls (2)	Assertion Addressed	(3)	(4)	(5)
The company maintains a file of all pertinent tax status documents. The client has articles of incorporation from state indicating not-for-profit status. Company has on file a submitted form 1023 (if a 501(c)(3) organization) to the IRS, and a determination letter in response from the IRS indicating tax-exempt status as a public charity.		EO			
Company has documentation indicating its understanding of unrelated business income tax (UBIT) and what activities may trigger its application. Examples include the following: - Rental of real property if the client has an existing obligation on said property - Engaging in income-generating activities outside of IRS-approved mission-related activities		EO			
If UBIT exists, an independent review is performed of the computation by an authorized individual and estimated payments are submitted on a timely basis.		C			
A system is in place to monitor that annual 990T and related state tax returns are filed on a timely basis.		C			
Other					
Other					

Note: Failure to implement adequate controls over relevant assertions is an indication of a control deficiency. Control deficiencies may be classified as deficiencies, significant deficiencies, or material weaknesses.

Revenue (Tuition)

[Instructions](#)

[Leadsheet](#)

Example Control (1)	Document Actual Controls (2)	Assertion Addressed	(3)	(4)	(5)
Tuition billings are prepared each semester solely based upon registration records for enrolled credit hours for the particular student.		EO, C			
Additional charges for bookstore items, infirmary, library, athletics, security, and physical plant (if applicable) are supported by appropriate backup as well as any documentation from the student/ parent relative to the particular charge.		EO, C, RO, VA			
The subsidiary accounts receivable ledger is reconciled to the general ledger regularly (by someone independent of cash receipts and sales) and differences investigated and resolved timely.		EO			
Student accounts are made available for online access and review.		EO			
Periodic reviews are performed comparing tuition revenues posted to the general ledger with a recalculation of revenue based on information provided by the registrar's office (# students, enrolled credit hours, published tuition rates, etc).		EO			
The mail is opened and a cash receipts list is prepared by someone independent of accounts receivable or billing, or a "lockbox" is used. The cash receipts journal is compared daily to this list.		EO			
Cash deposits are made regularly by someone independent of accounts receivable.		EO			
Established budgets for tuition revenues are reviewed and analyzed on a monthly basis compared with actual results. Significant variances and fluctuations are investigated accordingly.		C			

Notification is provided to the Office of Student Accounts for all "drops" and "adds" during the established time frames, and billings are adjusted accordingly. Appropriate signoff and approval is obtained by registrar or applicable personnel for all changes.		RO			
Staff calculate and analyze overpayments by students or prepayments for summer terms and reclassify accordingly as deferred revenue in financial statements. Calculations are reviewed by authorized person.		C, CO			
Edit controls preclude the same transaction (student billings) from being entered more than once.		AC			
Tuition refunds (for dropped classes) and tuition remissions/ discounts are authorized by someone independent of order entry.		RO, AC			
Receipts are prepared and supplied to students in support of all cash receipts on accounts.		AC			
Student remission and other scholarship allowances are identified and tracked separately by management to allow for proper presentation on the statement of activities (netted against tuition revenues). Scholarship and other discount allowances are reviewed and approved by authorized personnel.		AC			
Other					
Other					

Note: Failure to implement adequate controls over relevant assertions is an indication of a control deficiency. Control deficiencies may be classified as deficiencies, significant deficiencies, or material weaknesses.

Revenue (Grants)

[Instructions](#)

[Leadsheet](#)

Example Control (1)	Document Actual Controls (2)	Assertion Addressed	(3)	(4)	(5)
Persons authorized to solicit grants are independent of the recordkeeping function.		EO, RO			
Proper approval for management to initiate grants for programming outside of normal core services is given by the board of directors and is evidenced in board meeting minutes.		EO, RO			
Records of all grant agreements are maintained independent of accounting department.		EO			
For grant receivables recorded on a reimbursement basis, appropriate support is prepared, authorized, and submitted to the grantor prior to reimbursement.		EO			
Proper documentation exists to support timing and amounts received from grantor that have been posted to the general ledger.		C, CO			
Documentation from grants relative to need to return or request carryover of unspent grant funds is maintained and reviewed. Appropriate personnel periodically review grant expenditures to determine the need to return excess grant funds or request approval from grantor agency to carry funds over to next grant period.		RO, CO			
Expenditures of grant funds are authorized by someone overseeing the activities of the grants to ensure that the expenditures are for proper grant-related purposes.		AC			
Proper documentation exists supporting restricted uses of grant funds. Authorization is obtained from appropriate personnel relative to the use of grant funds on restricted purposes. Balances of restricted grants funds are tracked internally and approved by an authorized person.		AC			
Other					
Other					

Note: Failure to implement adequate controls over relevant assertions is an indication of a control deficiency. Control deficiencies may be classified as deficiencies, significant deficiencies, or material weaknesses.

Revenue (Contributions and Pledges)

[Instructions](#)

[Leadsheet](#)

Example Control (1)	Document Actual Controls (2)	Assertion Addressed	(3)	(4)	(5)
Records and other supporting documentation (thank-you cards, pledge cards, and other donor correspondence) are kept of all donations, including the donor's name, amount, date of gift, and any related restrictions or conditions for all contributions, gifts, etc. received.		EO, RO			
The subsidiary pledges receivable ledger is reconciled to the general ledger regularly (by someone independent of cash receipts) and differences investigated and resolved timely.		EO			
The mail is opened, and a cash receipts list is prepared by someone independent of pledges receivable or billing. The cash receipts journal is compared daily with this list.		C			
Cash deposits are made regularly by someone independent of pledges receivable.		C			
Donations are logged or evidenced by numerically controlled forms that are matched to bank deposits and differences investigated timely.		C			
Periodic statements are sent to donors; disputes and discrepancies are investigated and resolved timely by someone independent of cash receipts.		C, AC			
An individual in the development office of the organization has been designated to review and identify any split-interest agreements for which the company is a beneficiary. Adequate support is maintained verifying the asset and related liabilities recorded within the financial statements.		EO, RO			

Appropriate discounting and estimated collection policies (requiring the timely obtaining of credit reports or other financial data) are established by management.		VA			
Aging of the receivables is prepared (monthly, quarterly, annually) by development office personnel and reviewed in connection with valuation decisions and determining necessary allowances, including effect of discounting.		VA			
A designated individual is responsible for ensuring compliance with the terms and conditions of all grants, restricted contributions, endowments, etc. received or pledged.		AC			
Responsible individuals are designated to determine that the donor restrictions or conditions and matching requirements have been met before payments are classified as unrestricted support.		AC			
Management has established a formal policy in regard to how unrestricted and restricted funds are used for the same purpose (i.e., which funds are used first).		AC			
Policies and procedures relative to the solicitation of donors for significant fund-raising campaigns are reviewed and approved by the board.		AC			
Development office personnel identify and document the nature of all conditional pledges received from donors. Donor conditions are reviewed by appropriate personnel on an annual basis to determine proper accounting treatment and financial statement disclosures.		EO, AC			
Other					
Other					

Note: Failure to implement adequate controls over relevant assertions is an indication of a control deficiency. Control deficiencies may be classified as deficiencies, significant deficiencies, or material weaknesses.

Revenue (Student Loans)

[Instructions](#)

[Leadsheet](#)

Example Control (1)	Document Actual Controls (2)	Assertion Addressed	(3)	(4)	(5)
Loan awards are approved by an authorized individual.		EO			
Formal policies are in place outlining the requirements for students to obtain institutional or federal loans (i.e., Perkins, Nursing student loans, etc.) and are available to individuals responsible for awarding loans.		EO			
Detailed listings of student loan receivables are reconciled to the general ledger regularly (by someone independent of cash receipts and sales) and differences investigated and resolved timely.		EO, C, AC			
Loan agreements are in place for all amounts awarded and receivable from students, outlining terms of repayment, student rights and responsibilities, etc.		RO			
For Perkins and other federal loan programs administered by the company, restrictions on the use and potential return of funds are documented and reviewed by management on an ongoing basis. If applicable, calculations are performed annually and reviewed by an authorized individual related to the need to return federal loan proceeds that are not reloaned to students.		RO, AC			
Liabilities associated with Perkins loans and other federal loans subject to return to the government are computed and reconciled with the related assets of the organization.		AC			
For third-party administrators, SAS 70 reports are obtained and reviewed by management for control deficiencies and user control		AC			
Other					
Other					

Note: Failure to implement adequate controls over relevant assertions is an indication of a control deficiency. Control deficiencies may be classified as deficiencies, significant deficiencies, or material weaknesses.

Revenue (Taxes)

[Instructions](#)

[Leadsheet](#)

Example Control (1)	Document Actual Controls (2)	Assertion Addressed	(3)	(4)	(5)
Property tax distribution statements from the county are compared with actual cash receipts by someone independent of the recording function.		EO, C			
Someone independent of the revenue recording function reviews and approves the allocations of property tax receipts and reconciles the amount on the general ledger to the tax distribution statements.		EO			
Property tax levy is approved by the board.		RO			
Management reviews the property tax revenue allocated between funds based on tax levy allocations.		VA, C			
An appropriate allowance is established based on collection history, and management reviews the allowance established.		VA			
Management has established the intent of the property tax levy as it relates to the fiscal year(s) the levy is intended to finance.		CO			
Management reviews the property tax revenues received to ensure that they are recognized as revenue in the proper fiscal year.		CO			
Management reviews the property tax revenue allocated between funds based on tax levy allocations.		AC			
Receivable is established based on approved tax levy.		AC			
Other					
Other					

Note: Failure to implement adequate controls over relevant assertions is an indication of a control deficiency. Control deficiencies may be classified as deficiencies, significant deficiencies, or material weaknesses.

Allowance for Doubtful Accounts

[Instructions](#)

[Leadsheet](#)

Example Control (1)	Document Actual Controls (2)	Assertion Addressed	(3)	(4)	(5)
Agings of receivables are prepared monthly and reviewed by management in conjunction with credit decisions and determining necessary allowances.		C			
A detail is maintained for all receivables assigned to collection agencies and included in determining the necessary allowance.		C			
Diplomas and grade transcripts are withheld (college is actively following established policy) for all students who are delinquent in repayment. Delinquent students are unable to re-enroll in subsequent semesters until accounts are paid in full.		C			
Write-off of receivables/ claims is approved by an authorized person, an individual independent of the cash receipts function.		VA			
Reserve assumptions are validated by an approved policy.		VA, AC			
Credit policies are established by management and enforced by a credit manager or other appropriate individual independent of the sales/revenue and cash receipts functions.		AC			
Other					
Other					

Note: Failure to implement adequate controls over relevant assertions is an indication of a control deficiency. Control deficiencies may be classified as deficiencies, significant deficiencies, or material weaknesses.

Other Income and Other Expense

[Instructions](#)

[Leadsheet](#)

Example Control (1)	Document Actual Controls (2)	Assertion Addressed	(3)	(4)	(5)
Other income and expense and other related accounts are routinely reconciled by persons who do not have inappropriate duties. All reconciling items are investigated and cleared on a timely basis.		C, AC			
Other income and expense and other related accounts are reviewed by management on a monthly basis, and any unusual relationships or trends are investigated and resolved.		C, AC			
Other					
Other					

Note: Failure to implement adequate controls over relevant assertions is an indication of a control deficiency. Control deficiencies may be classified as deficiencies, significant deficiencies, or material weaknesses.

Related-Party Transactions

[Instructions](#)

[Leadsheet](#)

Example Control (1)	Document Actual Controls (2)	Assertion Addressed	(3)	(4)	(5)
Related-party transactions are properly authorized by appropriate individuals.		EO			
Management maintains a complete list of all related parties and related-party transactions.		C			
Related-party receivables/payables are periodically reconciled to the related-party books and records.		C, AC			
Management has access to related-party financial information and reviews for the intent and ability of the related party to repay.		VA			
Management verifies that receivables/payables are properly classified (i.e., long-term versus short-term, distributions versus receivable, etc.).		AC			
There is a formalized system in place to aggregate information on loans to related parties. Related-party loans are separately coded on the loan trial balance, approved by the board, and properly underwritten.		AC			
Other					
Other					

Note: Failure to implement adequate controls over relevant assertions is an indication of a control deficiency. Control deficiencies may be classified as deficiencies, significant deficiencies, or material weaknesses.



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