

# Budgets and Planning Checklist

## Internal Controls

As public servants, it is our responsibility to utilize the taxpayer's dollars in the most effective and efficient way possible while adhering to laws and regulations governing those processes. There are many reasons for placing controls in various points in these processes that may appear bureaucratic, but are necessary to ensure guidelines are followed and there is accountability to the taxpayers. This document does not address all possible circumstances that need to be considered when establishing internal controls or assessing risk. Each entity is responsible for reviewing their business practices and processes to determine where risks exist and where and how controls can be established to mitigate them.

Examples of the results of those controls are to support that:

- Procurement rules and regulations are complied with.
- Competitive bidding and contracting procedures are followed.
- Purchases are authorized and approved by the appropriate individuals.
- Budget is sufficient to meet the commitment.
- Goods or services are actually received and they meet quality standards.
- All expenditures are lawful, properly authorized, and represent a responsible and appropriate use of state funds.
- All expenditures are for goods or services where the full value of such goods and services was actually received.
- All expenditures are sufficiently documented, accurately and completely recorded, charged to the proper accounting period (fiscal year) and properly classified as to category of expense.
- Obligations for goods and services are paid in a timely manner as required by law or contractual terms, in sufficient time to take advantage of early payment discounts.
- Accounts payable are properly classified by type (due to other funds, due to other governmental agencies, etc.). If year-end accrual entries involve accounting estimates, the estimates are reasonable and sufficiently documented.

### Control Objectives:

1. The authorized budget accurately reflects anticipated revenues and appropriations.
2. Approved final budgets properly entered into the agency's systems.
3. Budgets and expenditures are monitored throughout the appropriation cycle.
4. Budgeting procedures/controls are in effect at both macro and micro levels of the organization.
5. Appropriate identifiers exist in the budgeting/accounting system.
6. Additional levels of approval are required for transactions above certain thresholds.
7. Accounting policies and procedures are written and monitored for compliance.
8. Reconciliations against the budget occur monthly for revenues, expenditures and cash transactions.
9. Expenditures are charged to cost centers/federal grants based upon usage.
10. Fiscal managers are aware of all reports available in the accounting system, the sources of the data, and how the reports should be used.
11. The entity keeps abreast of all state compliance requirements, federal circulars and reporting requirements.
12. The integrity of accounting information is safeguarded.
13. Accurate and timely information is provided to Boards/Commissions/governing body.

### Segregation of Duties:

Segregation of duties is one of the most important features of an internal control plan. The fundamental premise of segregated duties is that an individual or small group of individuals should not be in a position to initiate, approve, undertake, and review the same action. These are called incompatible duties when performed by the same individual.

Examples of incompatible duties include situations where the same individual (or small group of people) is responsible for:

- Managing both the operation of and record keeping for the same activity.
- Managing custodial activities and record keeping for the same assets.

- Authorizing transactions and managing the custody or disposal of the related assets or records.

Stated differently, there are four kinds of functional responsibilities that should be performed by different work units, or at a minimum, by different persons within the same unit:

1. Authorization to execute transactions: This duty belongs to persons with authority and responsibility to initiate and execute transactions.
2. Recording transactions: This duty refers to the accounting or record keeping function, which in most organizations, is accomplished by entering data into a computer system.
3. Custody of assets involved in the transactions: This duty refers to the actual physical possession or effective physical control/safekeeping of property.
4. Periodic reviews and reconciliation of existing assets to recorded amounts: This duty refers to making comparisons at regular intervals and taking action to resolve differences.

The advantage derived from proper segregation of duties is twofold:

- Fraud is more difficult to commit because it would require collusion of two or more persons, and most people hesitate to seek the help of others to conduct wrongful acts.
- By handling different aspects of the transaction, innocent errors are more likely to be found and flagged for correction.

Ideally, the following activities should be segregated:

- Budget preparation
- Budget adoption
- Budget execution
- Budget reporting

### Example Segregation of Duties Controls Questions:

A.	Segregation of Duties:	Yes	No	N/A	Comments
1.	Are responsibilities for <b><i>budget preparation</i></b> separate from the responsibilities for budget adoption, execution, and reporting?				
2.	Are responsibilities for <b><i>budget adoption</i></b> separate from the responsibilities for budget preparation, execution, and reporting?				
3.	Are responsibilities for <b><i>budget execution</i></b> separate from the responsibilities for budget preparation, adoption, and reporting?				
4.	Are responsibilities for <b><i>budget reporting</i></b> separate from the responsibilities for budget preparation, adoption, and execution?				

**Example Procedural Controls Questions:**

<b>B.</b>	<b>Budget Preparation Procedures and Controls:</b>	<b>Yes</b>	<b>No</b>	<b>N/A</b>	<b>Comments</b>
1.	Do personnel responsible for budget preparation have an appropriate level of knowledge of budgets and budgetary procedures required by law?				
2.	Do personnel responsible for budget preparation prepare budgets for all significant activities regardless of whether mandated by law?				
3.	Are personnel responsible for budget preparation familiar with state, federal, and internal timelines for budget submission and approval?				
4.	Do personnel responsible for budget preparation develop and prepare initial budget submissions by major departments and activity centers?				
5.	Do personnel responsible for budget preparation obtain review of departmental budgets by the finance or budget officer, make corrections of oversights by departments, and integrate budgets with agency executive's goals and objectives?				
6.	Do personnel responsible for budget preparation prepare the budget in sufficient detail to provide a meaningful tool with which to monitor subsequent performance (as established by the Strategic Plan)?				
7.	Do personnel responsible for budget preparation budget inter-fund and inter-departmental transfers, if appropriate?				

<b>C.</b>	<b>Budget Adoption Procedures and Controls:</b>	<b>Yes</b>	<b>No</b>	<b>N/A</b>	<b>Comments</b>
1.	Are budget hearings held to obtain citizen input, if appropriate?				
2.	Do personnel responsible for budget adoption submit the budget through the proper channels to the applicable legislative or governing body for approval?				
3.	Do personnel responsible for budget adoption clearly communicate to operating departments the effects of legislative budget modification mandates (increases or decreases)?				
4.	If a revenue increase has been budgeted has legislation for the increase been adopted?				
5.	Are estimated revenues and appropriations recorded in the accounting system, for later comparison to actual amounts realized or incurred?				
6.	Are budgets approved by grantors in connection with grant activity recorded in the accounting system?				
7.	Are finalized budgets published when required by law?				

<b>D.</b>	<b>Budget Execution Procedures and Controls:</b>	<b>Yes</b>	<b>No</b>	<b>N/A</b>	<b>Comments</b>
1.	Do the personnel responsible for budget execution formally adopt and communicate procedures establishing authority and responsibility for transfers between budget categories?				
2.	Is an allotment system used to control the flow of expenditures or commitments?				
3.	Do the personnel responsible for budget execution obtain approval from the accounting department as to the availability of funds, before issuing a purchase order or making an expenditure commitment?				
4.	Do the personnel responsible for budget execution process and obtain approval of requests for supplemental appropriations for budget changes the same way the original budget is processed and approved (or as required by law)?				
5.	Do the personnel responsible for budget execution establish controls to account for commitments when liabilities and expenditures are recorded on an encumbrance or obligation basis?				

<b>E.</b>	<b>Budget Reporting Procedures and Controls:</b>	<b>Yes</b>	<b>No</b>	<b>N/A</b>	<b>Comments</b>
1.	Are actual expenditures compared to budget and reported with reasonable frequency (monthly) and on a timely basis?				
2.	Are actual revenues compared to budget and reported with reasonable frequency (monthly) and on a timely basis?				
3.	Are budget reports discussed with departmental personnel, including explanations for significant variations from budget?				
4.	Are top management notified of significant variances from the budget?				
5.	Do personnel responsible for budget reporting provide timely notification, to both the executive and the legislative branches, of expenditures in excess of appropriations or budget?				
6.	Do personnel responsible for budget reporting publish comparisons of actual results of operations against the budget?				