

# 2017-18 Internal Control Questionnaire and Assessment

Bureau of Financial Monitoring and Accountability  
Florida Department of Economic Opportunity

*September 30, 2017*

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**TABLE OF CONTENTS**

**OVERVIEW .....3**  
**Control Environment.....7**  
**Risk Assessment .....9**  
**Control Activities ..... 11**  
**Information and Communication ..... 13**  
**Monitoring Activities..... 15**  
**Attachment A..... 17**

## OVERVIEW

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### Introduction and Purpose

The Internal Control Questionnaire and Assessment (ICQ) was developed by the Department of Economic Opportunity (DEO), Bureau of Financial Monitoring and Accountability, as a self-assessment tool to help evaluate whether a system of sound internal control exists within the Local Workforce Development Board (LWDB). An effective system of internal control provides reasonable assurance that management's goals are being properly pursued. Each LWDB's management team sets the tone and has ultimate responsibility for a strong system of internal controls.

The self-assessment ratings and responses should reflect the controls in place or identify areas where additional or compensating controls could be enhanced. When the questionnaire and the certification are complete, submit them to DEO by uploading to SharePoint.

### Definition and Objectives of Internal Controls

Internal control is a process, effected by an entity's board of directors, management and other personnel, designed to provide "reasonable assurance" regarding the achievement of objectives in the following categories:

- Effectiveness and efficiency of operations
- Reliability of financial reporting
- Compliance with applicable laws and regulations

The concept of reasonable assurance implies the internal control system for any entity, will offer a reasonable level of assurance that operating objectives can be achieved.

#### ***Need for Internal Controls***

Internal controls help to ensure the direction, policies, procedures, and practices designed and approved by management and the governing board are put in place and are functioning as designed/desired. Internal controls should be designed to achieve the objectives and adequately safeguard assets from loss or unauthorized use or disposition, and to provide assurance assets are used solely for authorized purposes in compliance with Federal laws, regulations, and program compliance requirements. Additionally, Title 2, Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, § 200.303 Internal controls, states:

The non-Federal entity must:

- (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States and the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).
- (b) Comply with Federal statutes, regulations, and the terms and conditions of the Federal awards.
- (c) Evaluate and monitor the non-Federal entity's compliance with statute, regulations and the terms and conditions of Federal awards.
- (d) Take prompt action when instances of noncompliance are identified including noncompliance identified in audit findings.
- (e) Take reasonable measures to safeguard protected personally identifiable information and other information the Federal awarding agency or pass-through entity designates as sensitive or the non-Federal entity considers sensitive consistent with applicable Federal, state and local laws regarding privacy and obligations of confidentiality.

### ***What Internal Controls Cannot Do***

As important as an internal control system is to an organization, an effective system will not guarantee an organization's success. Effective internal controls can keep the right people, such as management and the governing board members, informed about the organization's operations and progress toward goals and objectives. However, these controls cannot protect against economic downturns or make an understaffed

entity operate at full capacity. Internal controls can only provide reasonable, but not absolute, assurance the entity's objectives can be met. Due to limitations inherent to all internal controls systems, breakdowns in the internal control system may be caused by a simple error or mistake, or by faulty judgments made at any level of management. In addition, controls may be circumvented by collusion or by management override. The design of the internal controls system is dependent upon the resources available, which means there must be a cost-benefit analysis performed as part of designing the internal control system.

### ***Five Components of Internal Control***

- **Control Environment** – is the set of standards, processes, and structures that provide the basis for carrying out internal control across the organization. The board of directors and senior management establish the tone at the top regarding the importance of internal control and expected standards of conduct.
- **Risk Assessment** – involves a dynamic and iterative process for identifying and analyzing risks to achieving the entity's objectives, forming a basis for determining how risks should be managed. Management considers possible changes in the external environment and within its own business model that may impede its ability to achieve objectives.
- **Control Activities** – are the actions established by policies and procedures to help ensure that management directives mitigate risks to the achievement of objectives are carried out. Control activities are performed at all levels of the entity and at various stages within business processes, and over the technology environment.
- **Information and Communication** – are necessary for the entity to carry out internal control responsibilities in support of achievement of its objectives. Communication occurs both internally and externally and provides the **organization** with the information needed to carry out day-to-day internal control activities. Communication enables personnel to understand internal control responsibilities and their importance to the achievement of objectives.
- **Monitoring** – are ongoing evaluations, separate evaluations, or some combination of the two used to ascertain whether the components of internal control, including controls to effect the principles within each component, are present and functioning. Findings are evaluated and deficiencies are communicated in a timely manner, with serious matters reported to senior management and to the board of directors.

## Makeup of the ICQ

Subsequent sections of this document emphasize the “17 Principles” of internal control developed by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and presented in the Internal Control – Integrated Framework (2013). The five components of internal control listed above are fundamentally the same as the five standards of internal control and reflect the same concepts the “Standards for Internal Control in the Federal Government” utilizes.

The principles are reflected in groupings of questions related to major areas of control focus within the organization. Each question represents an element or characteristic of control that is or can be used to promote the assurance that operations are executed as management intended.

It should be noted that entities may have adequate internal controls even though some or all of the listed characteristics are not present. Entities could have other appropriate internal controls operating effectively that are not included here. The entity will need to exercise judgment in determining the most appropriate and cost effective internal control in a given environment or circumstance to provide reasonable assurance for compliance with Federal program requirements.

## Completing the Document

On a scale of 1 to 5, with “1” indicating the greatest need for improvements in internal controls and “5” indicating that a strong system of internal controls already exists, select the number that best describes your current operating environment. Please provide details in the comments/explanations column for each statement with a score of 1 or 2. For those questions requiring a narrative, please provide in the comments/explanations column.

## Certification of Self-Assessment of Internal Controls

Attachment A, includes a certification which should be completed and signed by the Executive Director, and uploaded to SharePoint.

## CONTROL ENVIRONMENT

		<i>Self-Assessment of Policies, Procedures, and Processes</i>					<b>Comments/Explanations</b>
		<i>Weak</i>		<i>Strong</i>			
		<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	
<b>Principle 1. The organization demonstrates a commitment to integrity and ethical values.</b>							
1.	The LWDB's management and board of directors' commitment to integrity and ethical behavior is consistently and effectively communicated throughout the LWDB, both in words and deeds.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
2.	The LWDB has a code of conduct and/or ethics policy that has been communicated to all staff, board members, and outsourced service providers.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
3.	When the LWDB hires new management from outside of the organization the person is trained or made aware of the importance of high ethics and sound internal controls.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
<b>Principle 2. The board of directors demonstrates independence from management and exercises oversight of the development and performance of internal control.</b>							
4.	The board of directors define, maintain, and periodically evaluate the skills and expertise needed among its members to enable them to question and scrutinize management's activities and present alternate views.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
5.	The board of directors and/or audit committee maintains a direct line of communication with the board's external auditors and internal monitors.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
6.	The independence of all board members is periodically reviewed for affiliations and relationships that could result in a conflict of interest.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
<b>Principle 3. Management establishes, with board oversight, structures, reporting lines, and appropriate authorities and responsibilities in the pursuit of objectives.</b>							
7.	Management reviews and modifies the organizational structure of the LWDB in light of anticipated changing conditions or revised priorities.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	

8.	The contractual terms with outsourced service providers are clear and concise with regard to the organization’s objectives and expectations of conduct and performance.	<input type="checkbox"/>					
9.	The LWDB’s policies and procedures are adequate for authorizing and approving transactions.	<input type="checkbox"/>					
<b>Principle 4. The organization demonstrates a commitment to attract, develop, and retain competent individuals in alignment with objectives.</b>							
10.	The LWDB continuously provides mentoring and training opportunities needed to attract, develop, and retain sufficient and competent personnel.	<input type="checkbox"/>					
11.	The LWDB policies include succession plans for senior management and contingency plans for assignments of responsibilities important for internal control.	<input type="checkbox"/>					
12.	For all positions, there are current written job descriptions, reference manuals or other forms of communication to inform personnel of their duties.	<input type="checkbox"/>					
<b>Principle 5. The organization holds individuals accountable for their internal control responsibilities in the pursuit of objectives.</b>							
13.	The LWDB has established performance measures and goals which are periodically reviewed for relevance and adequacy in relation to their potential risks.	<input type="checkbox"/>					
14.	The LWDB’s structure and tone at the top helps establish and enforce individual accountability for performance of internal control responsibilities and communicates and supports the accountability for responsible conduct of its staff.	<input type="checkbox"/>					

15.	The LWDB has policies, processes and controls in place to evaluate and promote accountability of outsourced service providers (and other business partners) and their internal control responsibilities.	<input type="checkbox"/>				
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## RISK ASSESSMENT

		<i>Self-Assessment of Policies, Procedures, and Processes</i>					Comments/Explanations
		<i>Weak</i>		<i>Strong</i>			
		1	2	3	4	5	
<b>Principle 6. The organization specifies with sufficient clarity to enable the identification and assessment of risks relating to objectives.</b>							
16.	Management establishes a materiality threshold for the purpose of identifying significant accounts and disclosures. This considers risk at each location where the LWDB conducts activities.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
17.	Management uses operational objectives as a basis for allocating the resources needed to achieve desired operational and financial performance.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
18.	The LWDB sets entity-wide financial reporting controls and assesses the risks that those controls will not prevent material misstatements, errors, or omissions in the financial statements.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
<b>Principle 7. The organization identifies risks to the achievement of its objectives across the entity and analyzes risks as a basis for determining how the risks should be managed.</b>							
19.	Management ensures that risk identification considers internal and external factors and the potential impact on the achievement of objectives.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
20.	The LWDB adequately and effectively manages risks to the organization and has designed internal controls that mitigate the identified risks.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	

21.	The LWDB's risk identification/assessment is broad and includes all significant interactions, both internal to the LWDB and its business partners and outsourced service providers.	<input type="checkbox"/>					
<b>Principle 8. The organization considers the potential for fraud in assessing risks to the achievement of objectives.</b>							
22.	The LWDB's assessment of fraud risk considers the opportunities for willful violations of laws, regulations or policy that could have a direct or indirect effect and how the operations could be impacted.	<input type="checkbox"/>					
23.	The LWDB follows established policies, procedures, and processes to periodically reconcile physical assets (e.g., cash, accounts receivable, prepaid program items and/or incentive card inventories, fixed assets) with the accounting records.	<input type="checkbox"/>					
24.	The LWDB's assessment of fraud risks considers opportunities for unauthorized acquisition, use and disposal of assets, altering the reporting records, or committing other inappropriate acts.	<input type="checkbox"/>					
<b>Principle 9. The organization identifies and assesses changes that could significantly impact the system of internal control.</b>							
25.	The LWDB has mechanisms in place to identify and react to risks presented by changes in government, regulatory, economic, operating, or other conditions that could affect the achievement of the goals and objectives.	<input type="checkbox"/>					
26.	The most significant risks affecting the LWDB have been identified and controls designed and implemented that mitigate risks associated with each.	<input type="checkbox"/>					

27.	The LWDB has a process to consider changes in management and their respective attitudes and philosophies on the system of internal control.	<input type="checkbox"/>					
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**CONTROL ACTIVITIES**

<i>Self-Assessment of Policies, Procedures, and Processes</i>					<b>Comments/Explanations</b>
<i>Weak</i>		<i>Strong</i>			
1	2	3	4	5	

**Principle 10. The organization selects and develops control activities that contribute to the mitigation of risks to the achievement of objectives to acceptable levels.**

28.	Management control activities consider all the relevant business processes, information technology and locations where control activities are needed, including outsourced service providers and other partners.	<input type="checkbox"/>					
29.	Controls employed by the LWDB include authorizations, approvals, comparisons, physical counts, reconciliations and supervisory controls.	<input type="checkbox"/>					
30.	The LWDB periodically (e.g., quarterly, semiannually) reviews system privileges and access controls to the different applications and databases within the IT infrastructure to determine whether system privileges and access controls are appropriate.	<input type="checkbox"/>					

**Principle 11. The organization selects and develops general control activities over technology to support the achievement of objectives.**

31.	Management selects and develops control activities that are designed and implemented to restrict technology access rights to authorized users commensurate with their job responsibilities and to protect the entity's assets from external threats.	<input type="checkbox"/>					
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## CONTROL ACTIVITIES

		<i>Self-Assessment of Policies, Procedures, and Processes</i>					<b>Comments/Explanations</b>
		<i>Weak</i>		<i>Strong</i>			
		<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	
32.	Management has identified the appropriate technology controls that address the risks of using applications hosted by third-parties.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
33.	The LWDB has considered the protection of personally identifiable information (PII), as defined in 501.171(1)(g)1, F.S., of its employees, participants/clients and vendors, and have designed and implemented policies that mitigate the associated risks.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
<b>Principle 12. The organization deploys control activities through policies that establish what is expected and procedures that put policies into action.</b>							
34.	The LWDB has policies and procedures addressing proper segregation of duties between the authorization, custody, and recordkeeping for the following tasks, if applicable: Prepaid Program Items (Participant Support Costs), Cash/Receivables, Equipment, Payables/Disbursements, Procurement/Contracting, and Payroll/Human Resources. For tasks lacking the appropriate segregation of duties describe any compensating controls in place in the comments/explanations section.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
35.	Management has performed a review of all policies and procedures to determine their continued relevance, consistency, compliance with 2 CFR Part 200 (Uniform Guidance) or other guidance or directives.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
36.	The LWDB maintains policies and procedures to facilitate the recording and accounting of transactions in compliance with laws, regulations, and provisions of contracts and grant agreements.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	

## INFORMATION AND COMMUNICATION

		<i>Self-Assessment of Policies, Procedures, and Processes</i>					Comments/Explanations
		<i>Weak</i>		<i>Strong</i>			
		1	2	3	4	5	
<b>Principle 13. The organization obtains or generates and uses relevant, quality information to support the functioning of internal control.</b>							
37.	Federal, state, or grant program rules or regulations are reviewed with one or more of the following: governing board, audit, finance or other committee.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
38.	The LWDB considers both internal and external sources of data when identifying relevant information to use in the operation of internal control.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
39.	The LWDB's accounting system provides for separate identification of federal grant transactions and non-federal transactions and allocations of transactions that benefit both.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
<b>Principle 14. The organization internally communicates information, including objectives and responsibilities for internal control, necessary to support the functioning of internal control.</b>							
40.	Communication exists between management and the board of directors so that both have information needed to fulfill their roles with respect to the LWDB's objectives.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
41.	There is a process to quickly disseminate critical information throughout the LWDB when necessary.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
42.	Management has a communication process for reinforcing to all employees their roles in internal control responsibility.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	

## INFORMATION AND COMMUNICATION

		<i>Self-Assessment of Policies, Procedures, and Processes</i>					<b>Comments/Explanations</b>
		<i>Weak</i>		<i>Strong</i>			
		1	2	3	4	5	
<b>Principle 15. The organization communicates with external parties regarding matters affecting the functioning of internal control.</b>							
43.	The LWDB has a process that allows for employees, partners, clients/participants, vendors and subrecipients to report suspected improprieties, while allowing for anonymity of the person; and the process is communicated to everyone.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
44.	The LWDB has processes in place to communicate relevant and timely information to external parties.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
45.	The LWDB has processes in place to communicate the results of reports provided by the following external parties: Independent Auditor, DEO Bureau of Financial Monitoring and Accountability (FMA), DEO Bureau of One-Stop and Program Support, DEO Office of Inspector General, Florida Auditor General, and Federal Awarding Agencies (USDOL, USDHHS, and USDA) to the Board of Directors.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	

## MONITORING ACTIVITIES

		<i>Self-Assessment of Policies, Procedures, and Processes</i>					Comments/Explanations
		<i>Weak</i>		<i>Strong</i>			
		1	2	3	4	5	
<b>Principle 16. The organization selects, develops, and performs ongoing and/or separate evaluations to ascertain whether the components of internal control are present and functioning.</b>							
46.	The LWDB periodically evaluates its business processes such as cash management, comparison of budget to actual results, repayment or reprogramming of interest earnings, draw down of funds, procurement, and contracting activities.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
47.	The LWDB considers the level of staffing, training and skills of people performing the monitoring given the environment and monitoring activities which include observations, inquiries and inspection of source documents.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
48.	LWDB management periodically visits Career Center locations and other decentralized locations (including subrecipients) to determine whether policies and procedures are being followed and functioning as intended.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
<b>Principle 17. The organization evaluates and communicates internal control deficiencies in a timely manner to those parties responsible for taking corrective action, including senior management and the board of directors, as appropriate.</b>							
49.	The LWDB management takes adequate and timely actions to correct deficiencies reported by the external auditors, financial and programmatic monitoring, or internal reviews.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
50.	The LWDB monitors subrecipients to ensure that federal funds provided are expended only for allowable activities, goods, and services and communicates the monitoring results to the LWDB's board of directors.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	

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## ATTACHMENT A

### Department of Economic Opportunity Certification of Self-Assessment of Internal Controls

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Regional Workforce Board: \_\_\_\_\_

To be completed by the Executive Director

A self-assessment of internal controls has been conducted for the fiscal period beginning July 1, 2017 (fiscal period 2017/18). As part of this self-assessment, the Internal Control Questionnaire developed by the Department of Economic Opportunity has been completed and is available for review.

Signature: \_\_\_\_\_

Printed Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

Please scan and upload to SharePoint an executed copy of this certification on or before October 15, 2017.