

2019-20 Internal Control Questionnaire and Assessment

**Bureau of Financial Monitoring and Accountability
Florida Department of Economic Opportunity**

September 13, 2019

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OVERVIEW

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 that 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 controls across the organization. The board of directors and senior management establish the tone at the top regarding the importance of internal controls 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 so 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 controls, including controls to affect 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 controls developed by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and presented in the

Internal Controls – Integrated Framework. The five components of internal controls listed above are fundamentally the same as the five standards of internal controls 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 controls in any 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 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, reviewed and signed by the Board Chair or their designee and uploaded to SharePoint.

CONTROL ENVIRONMENT

		<i>Self-Assessment of Policies, Procedures, and Processes</i>					Comments/Explanations
		<i>Weak</i>		<i>Strong</i>			
		1	2	3	4	5	
Principle 1. The organization demonstrates a commitment to integrity and ethical values.							
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. Provide policy/policy number(s) and page number(s) that address the statement made above.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
3.	When the LWDB hires employees 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"/>	
Principle 2. The board of directors demonstrates independence from management and exercises oversight of the development and performance of internal controls.							
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 board of directors establishes the expectations and evaluates the performance of the chief executive officer or equivalent role.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	

Principle 3. Management establishes, with board oversight, structures, reporting lines, and appropriate authorities and responsibilities in the pursuit of objectives.						
7.	Management reviews and modifies the organizational structure of the LWDB c anticipated changing conditions or revised priorities. Provide Date of Last Review	<input type="checkbox"/>				
8.	Specific lines of authority and responsibility are established to ensure compliance with federal and state laws and regulations.	<input type="checkbox"/>				
9.	The LWDB management understands the importance of internal controls, including the division of responsibility.	<input type="checkbox"/>				
Principle 4. The organization demonstrates a commitment to attract, develop, and retain competent individuals in alignment with objectives.						
10.	The LWDB provides training opportunities or continuing education to develop and retain sufficient and competent personnel. Describe the Specific Training Offered	<input type="checkbox"/>				
11.	The LWDB has succession plans for senior management and contingency plans for assignments of responsibilities important for internal controls.	<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. How Often are Position Descriptions Reviewed?	<input type="checkbox"/>				

Principle 5. The organization holds individuals accountable for their internal control responsibilities in the pursuit of objectives.						
13.	Policies, processes or directives are in place that ensures employees are aware of their role related to internal control responsibilities.	<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.	<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. Provide policy/policy number(s) and page number(s) that address the statement made above.	<input type="checkbox"/>				

RISK ASSESSMENT

		<i>Self-Assessment of Policies, Procedures, and Processes</i>					Comments/Explanations
		<i>Weak</i>		<i>Strong</i>			
		1	2	3	4	5	
Principle 6. The organization specifies with sufficient clarity to enable the identification and assessment of risks relating to objectives.							
16.	Management establishes a materiality threshold for each of its major objectives and identifies 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"/>					
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.							
19.	Management ensures that risk identification considers internal and external factors and the potential impact on the achievement of objectives. What are the top three risks affecting the organization, and what mitigating controls are in place?	<input type="checkbox"/>					
20.	The LWDB adequately and effectively manages risks to the organization and has designed internal controls to mitigate the known risks. What new controls, if any, have been implemented since the prior year and which organizational risks do they mitigate?	<input type="checkbox"/>					
21.	The LWDB's risk identification/assessment is broad and includes both internal and external business partners and outsourced service providers.	<input type="checkbox"/>					
Principle 8. The organization considers the potential for fraud in assessing risks to the achievement of objectives.							
22.	The LWDB periodically performs an assessment of each of its and each of its operating locations' exposure to fraudulent activity and how the operations could be impacted. When was the last assessment performed, and by whom?	<input type="checkbox"/>					

23.	<p>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.</p> <p>In the comments/explanations section, provide a narrative of the system/process for safeguarding cash on hand, such as prepaid program items (i.e. gas cards, visa cards) against unauthorized use/distribution.</p>	<input type="checkbox"/>					
Principle 9. The organization identifies and assesses changes that could significantly impact the system of internal controls.							
24.	<p>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.</p>	<input type="checkbox"/>					
25.	<p>The most significant risks affecting the LWDB have been identified and controls are designed and implemented that mitigate risks.</p> <p>Identify three of the most significant internal risks that could impact the achievement of objectives.</p>	<input type="checkbox"/>					
26.	<p>Considering the most significant risks, identified above, have controls been designed and implemented that mitigate risks associated with each.</p> <p>In the comments/explanations section, please elaborate on the mitigating controls.</p>	<input type="checkbox"/>					

CONTROL ACTIVITIES

		Self-Assessment of Policies, Procedures, and Processes					Comments/Explanations
		Weak		Strong			
		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.							
27.	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"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
28.	Controls employed by the LWDB include authorizations, approvals, comparisons, physical counts, reconciliations, supervisory controls and allowable use of funds. What type of training is provided to staff to ensure the allowable use of funds?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
29.	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"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Principle 11. The organization selects and develops general control activities over technology to support the achievement of objectives.							
30.	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. In the comments/explanations section, provide a narrative of the process of authorizing access for new employees, revoking access for separated employees, and changes to	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	

CONTROL ACTIVITIES

		Self-Assessment of Policies, Procedures, and Processes					Comments/Explanations
		Weak		Strong			
		1	2	3	4	5	
	authorized users commensurate with their changes to their job responsibilities.						
31.	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"/>	
32.	The LWDB has considered the protection of personally identifiable information (PII), as defined in section 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. Describe how personally identifiable information of program participants is protected and/or redacted so that is not included in your accounting records or information shared outside your organization.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Principle 12. The organization deploys control activities through policies that establish what is expected and procedures that put policies into action.							
33.	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"/>	

CONTROL ACTIVITIES

		<i>Self-Assessment of Policies, Procedures, and Processes</i>					Comments/Explanations
		<i>Weak</i>		<i>Strong</i>			
		1	2	3	4	5	
34.	Management periodically performs 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. When did the last in-depth policy review occur; what, if any, policies were updated as a result?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
35.	Management annually performs a review of policies, instructions and processes based on the WIOA criteria for OJT program eligibility. When did the last annual policy review occur; what, if any, policies were updated as a result?	<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. Provide policy/policy number(s) and page number(s) that address the statement made above.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	

INFORMATION AND COMMUNICATION

		Self-Assessment of Policies, Procedures, and Processes					Comments/Explanations
		Weak		Strong			
		1	2	3	4	5	
Principle 13. The organization obtains or generates and uses relevant, quality information to support the functioning of internal controls.							
37.	Federal, state, or grant program rules or regulations are reviewed by one or more of the following: governing board, audit, finance or other type committee. How often are these reviewed?	<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 controls.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
39.	The LWDB's has controls in place to ensure costs are accurately recorded and allocated to the benefiting federal/state fund or grant. In the comments/explanations section, elaborate on the control(s) that ensure costs accurately recorded.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Principle 14. The organization internally communicates information, including objectives and responsibilities for internal controls, necessary to support the functioning of internal controls.							
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. Provide a description of the dissemination process.	<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	
42.	Management has a process for the development, approval and implementation of policy updates and communicates those updates to staff.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Principle 15. The organization communicates with external parties regarding matters affecting the functioning of internal controls.							
43.	The LWDB has a means for anyone to report suspected improprieties regarding fraud; errors in financial reporting, procurement, and contracting; improper use or disposition of equipment; and misrepresentation or false statements. Describe the process of how someone could report improprieties. Who receives/processes/investigates, etc.?	<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	
Principle 16. The organization selects, develops, and performs ongoing and/or separate evaluations to ascertain whether the components of internal controls are present and functioning.							
46.	<p>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.</p> <p>Describe the process of how funding decisions are determined. What is the criteria, who initiates/approves, etc.?</p>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
47.	<p>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.</p>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
48.	<p>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.</p> <p>Describe when the most recent visit was performed, by whom, and who were the results communicated to?</p>	<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	
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.							
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"/>	

ATTACHMENT A

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

Local Workforce Development Board: _____

To be completed by the Executive Director:

A self-assessment of internal controls has been conducted for the fiscal monitoring period, April 1, 2019-March 31, 2020. 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: _____

To be completed by the Board Chair or their designee:

I have reviewed the self-assessment of internal controls that was conducted for the fiscal monitoring period, April 1, 2019-March 31, 2020.

Signature: _____

Printed Name: _____

Title: _____

Date: _____

Please scan and upload to SharePoint an executed copy of this certification on or before October 15, 2019.