N.J.A.C. 5:31-7: APPENDIX A

AUDIT QUESTIONNAIRE FOR AUTHORITY AUDITS
EACH QUESTION MUST BE ANSWERED.
PLEASE SELECT YES OR NO.
IF ANY ARE NOT APPLICABLE, STATE N/A AS YOUR ANSWER.

AUTHORITY_______________________________________________________________
YEAR UNDER AUDIT_______________________________________________________
AUDITOR SIGNATURE_______________________________________________________
AUDITOR FIRM___________________________________________________________
AUDITOR ADDRESS________________________________________________________
________________________________________________________________________
AUDITOR PHONE/FAX #__________________________
AUDITOR EMAIL___________________________________________________________

"NO" ANSWERS MUST BE EXPLAINED IN DETAIL. ATTACH ADDITIONAL SHEETS IF MORE SPACE IS REQUIRED. ANSWERS TO QUESTIONS WHICH INDICATE CORRECTIONS OR IMPROVEMENTS ARE REQUIRED MUST BE COVERED BY COMMENT AND RECOMMENDATION IN THE AUDIT REPORT. IF NOT COVERED, EXPLAIN IN DETAIL.
# AUDIT QUESTIONNAIRE

**AUTHORITY ________________________________________________________________**

## General

<table>
<thead>
<tr>
<th>Question</th>
<th>YES</th>
<th>NO</th>
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<tbody>
<tr>
<td>1. Is a general ledger maintained by the authority?</td>
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<td>2. Are key employees bonded in amounts required by organization policy?</td>
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<td>3. Is insurance coverage in force for at least the following?</td>
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<td>- Loss or damage to assets from fire and other hazards.</td>
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<td>- Public liability and property damage?</td>
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<td>- Robbery, burglary, theft and disappearance?</td>
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<td>- Worker’s compensation?</td>
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<td>4. Are loans to employees prohibited?</td>
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<td>5. Has the Bureau of Authority Regulation been notified of deficiencies in the accounting system or records?</td>
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<td>6. Has a corrective action plan been filed for the previous year audit report?</td>
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## Cash and Investments

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<thead>
<tr>
<th>Question</th>
<th>YES</th>
<th>NO</th>
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<tbody>
<tr>
<td>1. Has the authority adopted a cash management plan?</td>
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<td>2. Are all depositories and accounts authorized by resolution of the governing body?</td>
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<td>3. Are receipts deposited within 48 hours pursuant to N.J.A.C. 5:31-3.1(b)?</td>
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<td>4. Are the duties of personnel who receive and deposit cash separate from investments cash disbursing, and bookkeeping?</td>
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<td>5. Are cash receipts adequately safeguarded before deposit?</td>
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<td>6. Is responsibility for the petty cash fund vested in only one person?</td>
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<td>7. Are petty cash disbursements supported by signed receipts which are attached to reimbursement vouchers?</td>
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<td>8. Are check signers and individuals initiating or authorizing transactions utilizing</td>
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2
standard electronic funds transfer technologies designated by resolution?

9. If a mechanical check signer is used, are there procedures to control and record the check numbers and amounts of checks signed?  
   YES  NO

10. Is there adequate security over blank checks?  
    YES  NO

11. Are the duties of personnel who disburse cash separate from the function of approving vouchers?  
    YES  NO

12. Are bank statements reconciled monthly?  
    YES  NO

   A. Is the sequence of check numbers accounted for?  
      YES  NO

   B. Are check endorsements scrutinized?  
      YES  NO

13. Are outstanding checks older than 6 months investigated?  
    YES  NO

14. Are investments under the control of a responsible official who does not receive or disburse cash?  
    YES  NO

15. Are all investments issued in the name of the authority?  
    YES  NO

16. Are all investment transactions approved by the governing body?  
    YES  NO

17. Are all investments permitted by law or bond agreement?  
    YES  NO

18. Are perpetual records of investments reflecting all pertinent information maintained?  
    YES  NO

19. Is interest income verified?  
    YES  NO

   A. Is it promptly recorded in the accounting records?  
      YES  NO

20. Are investments examined periodically and verified with the detail record and control account?  
    YES  NO

21. Are investments protected against loss or theft?  
    YES  NO

22. Are signature stamps, mechanical signatures, facsimile signatures, and electronic copies of signatures under adequate control and protected against unauthorized use?  
    YES  NO

**Accounts Receivable and Income**

1. Are billings to users independently verified?  
   YES  NO

2. Is there segregation of duties between accounts receivable, record maintenance, billing, and receipt of cash?  
   YES  NO
N.J.A.C 5:31-7

Local Authorities

3. Are total accounts receivable balances verified with the accounts receivable control periodically?  
   YES  NO

4. Are delinquent accounts receivable reviewed and collection procedures initiated by a responsible official?  
   YES  NO

5. Are accounts receivable records promptly posted?  
   YES  NO
   A. Billings to users?  
      YES  NO
   B. Cash receipts?  
      YES  NO

6. Are adjustments to accounts receivable approved by a responsible official?  
   YES  NO

Inventory

1. Are inventories of material and supplies under physical control of a designated employee who is not responsible for purchasing?  
   YES  NO

2. Is the storage area properly safeguarded to prevent damage to materials and unauthorized removal?  
   YES  NO

3. Do quantities appear reasonable for normal consumption?  
   YES  NO

4. Are physical inventories taken annually and supervised by non-storeroom personnel?  
   YES  NO

5. Are responsible officials advised of significant inventory discrepancies?  
   YES  NO

Accounts Payable and Purchasing

1. Are the following requirements of the Local Public Contracts Law (40A:11) being followed and documented
   A. Competitive bidding and contract award?  
      YES  NO
   B. Informal quotations on purchases not requiring public bidding (40A:11-6.1)?  
      YES  NO
   C. Certificate of availability of funds prior to award of contracts (Reg. 5:30-5.4)?  
      YES  NO
   D. Resolutions adopted and advertised authorizing agreements for professional services (40A:11-5)?  
      YES  NO
   E. Emergency purchases and contracts (40A:11-6)?  
      YES  NO

2. Are prenumbered or system generated purchase orders issued for all purchases, except petty cash purchases?  
   YES  NO
3. Is there a record of all purchase orders issued? YES NO

4. Are quantities and description of materials and supplies received:
   A. Compared to purchase orders? YES NO
   B. Compared to vendors' invoices? YES NO
   C. Verified with packing or delivery slips? YES NO

5. Are open purchase orders reviewed periodically? YES NO

6. Do vouchers approved for payment contain:
   A. Signature of person who verified quantities and description of materials received or services rendered? YES NO
   B. Copies of purchase order, delivery slips, etc.? YES NO

7. Were all vouchers approved by the governing body? YES NO

8. Is there segregation of duties between the purchasing, receiving, and disbursement functions? YES NO

9. Are total accounts payable balances verified with the accounts payable control periodically? YES NO

**Payroll**

1. Are payrolls approved by a responsible official outside the payroll department? YES NO

2. Are the functions of payroll preparation and distribution separated? YES NO

3. Are the personnel records maintained separately from payroll preparation and distribution? YES NO

4. Are names added to and deleted from payroll and rates of pay changed only upon written authorization? YES NO

5. Are new employees, employee promotions and rates of pay approved by the governing body? YES NO

6. Are all payroll deductions supported by signed authorizations on file? YES NO

7. Are payroll deductions promptly paid to the proper agencies? YES NO

8. Are records maintained to control and verify vacation time, sick leave, etc., taken and accumulated? YES NO
9. Are all employees paid by check or by direct deposit? YES NO
10. Are payroll check endorsements and employee account authorizations scrutinized? YES NO
11. Are old outstanding payroll checks investigated by someone independent of the payroll preparation? YES NO
12. Is there a separate bank account for payroll disbursements? A. Are deposits in exact amount of payroll? YES NO
B. Is the payroll bank balance reconciled monthly by someone independent of payroll preparation? YES NO
C. Are payroll procedures established by resolution of the governing body? YES NO

**Property, Plant and Equipment**

1. Are detailed fixed asset records maintained? YES NO
A. Are fixed assets properly identified with the fixed asset records? YES NO
B. Are additions and deletions properly authorized and promptly recorded? YES NO
2. Is the documentation substantiating the cost of fixed assets permanently filed? YES NO
3. Is there a written policy defining items to be capitalized and those to be expensed? YES NO
4. Does the capitalization of interest and other indirect costs conform to accounting principles? YES NO
5. Is a physical inventory of fixed assets taken periodically and verified to fixed assets records? YES NO
6. Are dispositions of fixed assets properly recorded and sales proceeds promptly accounted for in the accounting records? YES NO
7. Are fixed assets properly safeguarded against loss by fire, unauthorized use or theft? YES NO

**Long and Short Term Debt**

1. Is a detailed record such as a bond or note register maintained of debt issue and outstanding? YES NO
A. Are principal and interest due dates and amounts reflected and date of payment recorded? YES NO
N.J.A.C 5:31-7

Local Authorities

2. Are debt issues properly authorized by the governing body?  YES  NO

3. Does the expenditure of borrowed funds conform to the purpose authorized?  YES  NO

4. Are paid bonds and notes properly cancelled and accounted for?  YES  NO

5. Has the authority paid its debt service on a timely basis?  YES  NO

6. Is the authority in compliance with all bond covenants?  YES  NO

**Budget System**

1. Were the adopted operating and capital budgets and amendments thereto approved by the Director of Local Government Services?  YES  NO

2. Were the adopted budgets and amendments recorded in the minutes?  YES  NO

3. Are there sufficient controls to monitor expenses and revenues against budgeted amounts?  YES  NO

4. Is a budget status report periodically furnished to the governing body?  YES  NO

5. Are appropriations encumbered when purchase orders are issued?  YES  NO

6. Are fixed assets acquired through budget appropriations properly capitalized?  YES  NO

**Grant Management**

1. Is a permanent file of each grant maintained?  YES  NO

2. Does the accounting system provide details of eligible expenditures to be reimbursed from each grant?  YES  NO

3. Is each expenditure reviewed for compliance with the terms of the applicable grant?  YES  NO

4. Does the authority have a grant manager?  YES  NO

5. Are all required reports promptly filed with the grantor agency?  YES  NO

6. Were grant reimbursement requests filed promptly?  YES  NO

7. Are assets acquired from grant funds properly identified?  YES  NO

8. If indirect costs are chargeable to grants, has the method of allocation been approved?  YES  NO
Electronic Data Processing

1. Does the authority utilize electronic data processing for accounting and financial functions?  
   YES  NO

2. Was the system approved by the Division of Local Government Services?  
   YES  NO

3. Are there sufficient audit trails to identify documents being processing and identify output?  
   YES  NO

4. Are there daily printouts of:
   A. Transactions?  
      YES  NO
   B. Rejected transactions?  
      YES  NO
   C. Error corrections?  
      YES  NO

5. Are the daily printouts reviewed and approved by supervisory personnel?  
   YES  NO

6. Are journal entries and error corrections authorized by supervisory personnel?  
   YES  NO

7. Are master files updated periodically and on schedule to prevent loss of data in transaction files?  
   YES  NO

8. Are there periodic printouts of updated files by E.D.P. transactions?  
   YES  NO

9. Are authorized users validated by user codes and passwords?  
   YES  NO

10. Are terminals located in a secure area, to prevent access by unauthorized personnel?  
    YES  NO

11. Are there backup operators to process transactions in the absence of the authorized operator?  
    YES  NO

12. Are there copies of all critical materials such as programs, master files, transaction files, etc.?  
    YES  NO

13. Are these copies stored in a safe location (offsite or in a fireproof vault onsite)?  
    YES  NO

14. Are mechanisms in place to guard against loss due to power failures, fire, flood, etc.?  
    YES  NO

Electronic Funds Transfers

1. Has the governing body adopted a resolution establishing policies and procedures governing electronic funds transfers?  
   YES  NO
2. Has the authority’s chief financial officer been charged by the governing body with the responsibility of ensuring that internal controls for electronic fund transfers are being adhered to?  
   YES  NO

3. Are initiation and authorization roles segregated and password restricted?  
   YES  NO

4. Has another officer of the authority not under the chief financial officer’s authority been designated to authorize an electronic funds transfer initiated by the chief financial officer?  
   YES  NO

5. Are activity reports on transactions involving electronic funds transfers reviewed at least weekly by the chief financial officer or an individual under the chief financial officer’s supervision, and monitored by another individual not under the chief financial officer’s supervision?  
   YES  NO

6. Have financial institution providers of electronic funds transfer technologies submitted to the authority satisfactory proof of internal control?  
   YES  NO

7. Does each bill list have proper reference to the type of technology and a tracking mechanism to provide for an adequate audit trail?  
   YES  NO

8. For electronic funds transfers conducted through an automated clearing house transfer (ACH):
   A. Is a current Electronic Funds Transfer and Indemnification Agreement in place with a banking institution authorized to access authority bank accounts for the purpose of conducting electronic funds transfers through ACH?  
      YES  NO
   B. Do users uploading an ACH file check the amounts and recipients against a register displaying ACH payments?  
      YES  NO
   C. Are users that can generate an ACH file neither given upload rights nor given access that permits editing of a vendor routing number or vendor account number?  
      YES  NO
   D. Is each edit to vendor ACH information approved by a separate individual and logged showing the user editing the data, date stamp, IP address, and
E. Are plain text ACH files not stored on a local computer past the time the file is transmitted to a bank? YES NO

9. For electronic funds transfers conducted through a charge card/account:
   A. Are monthly purchase orders issued for each individual charge card or account that authorize a maximum amount that can expended per month? YES NO
   B. Is the charge card or account limited to use with a specific vendor? YES NO
   C. Are outstanding balances paid in full each month? YES NO
   D. Has the authority adopted policies and procedures for use of charge cards/charge accounts? YES NO
   E. Are individuals authorized to utilize charge cards/accounts
      i. trained on the policies and procedures governing their use? YES NO
      ii. signatories to a contract of understanding that includes financial responsibility for misuse? YES NO
      iii. covered by a bond or blanket honesty policy? YES NO
   F. Have individuals responsible for activity reconciliations and supervisory review been trained in the policies and procedures governing the use of procurement cards/accounts? YES NO

10. If the authority utilizes a procurement card
    A. Are individuals authorized to utilize procurement cards
       i. trained on the policies and procedures governing their use? YES NO
       ii. signatories to a contract of understanding that includes financial responsibility for misuse? YES NO
       iii. covered by a bond or blanket honesty policy? YES NO
    B. Does a Qualified Purchasing Agent serve as program manager? YES NO
    C. Have individuals responsible for activity reconciliations and supervisory review been trained in the policies and procedures governing the use of procurement cards?
THE FOREGOING QUESTIONNAIRE MUST BE SEPARATELY FILED WITH THE DIVISION OF LOCAL GOVERNMENT SERVICES FOR EACH REPORT OF AUDIT. IT IS NOT TO BE BOUND IN THE REPORT.