

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

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

Cash and Investments

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

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

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|---|-----|----|
| 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

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|---|-----|----|
| 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

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|--|-----|----|
| 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? | YES | NO |
| 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

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|--|-----|----|
| 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

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|---|-----|----|
| 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 |

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

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|---|-----|----|
| 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

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|---|-----|----|
| 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	YES	NO

approval of the edit?			
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 charge 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?	YES	NO

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.