

ADDENDUM D
ENTITY LEVEL INTERNAL CONTROL ASSESSMENT

The example entity level internal control assessment¹⁷ is based on the five components of internal control and the GAO checklist used in the financial statement audit. Detail is entered into the template.

Entity Level Internal Control Assessment

| Date | Name | Telephone Number | Email Address |
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Purpose: To document and evaluate internal controls operating at the entity level

Definitions:

Internal control at the entity level refers to those elements of the five components of internal control that have an overarching or pervasive effect on the agency. The five components are:

i. Control Environment

The control environment relates to management’s attitude, awareness, and actions concerning the control environment.

- Integrity and ethical standards
- Commitment to competence
- Management philosophy and operating style
- Organizational structure
- Assignment of authority and responsibility
- Human resource policies and practices

ii. Risk Assessment

Risk assessment relates to how management considers risks relevant to financial reporting objectives and decides about actions to address those risks.

- Complexity or size of programs, operations, transactions, etc.
- Decentralized versus centralized operations, accounting, and reporting functions
- Extent of manual or automated processes or applications
- New or amended laws, regulations, or accounting standards
- Changes in the operating environment
- Significant new or changed programs or operations
- Restructurings or budget cutbacks which may include downsizing and changes in supervision and segregation of duties
- New personnel or significant personnel changes
- New or revamped information systems
- New technology
- Existence of related party transactions
- Accounting estimates

¹⁷ Circular A-123, Appendix A, Section III.B.

iii. Control Activities

Control activities relate to the policies and procedures that help ensure that management directives are carried out and that management’s assertions in its financial reporting are valid. The Control activities section of the Entity Level Internal Control Assessment will include subsections describing:

- Policies and procedures
- Management objectives
- Planning and reporting systems
- Analytical review and analysis
- Segregation of duties
- Safeguarding of records
- Physical and access controls

iv. Information and Communication

- Type and sufficiency of reports produced
- Management of IT system development
- Disaster recovery
- Communication of employees control related duties and responsibilities
- How incoming external communication is handled

v. Monitoring

- Self assessments by management
- Evaluations by the OIG or external auditor
- Direct Testing

Entity level evaluation of the Control Environment

| CONTROL ENVIRONMENT | | | |
|-------------------------------------|--|--------------------------|--------------------------|
| Integrity and Ethical Values | Comments/Descriptions | | |
| | Yes | No | N/A |
| 1. | The agency has established and uses a formal code or codes of conduct and other policies communicating appropriate ethical and moral behavioral standards and addressing acceptable operational practices and conflicts of interest. | | |
| | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. | An ethical tone has been established at the top of the organization and has been communicated throughout the agency. | | |
| | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. | Management appropriately addresses intervention or overriding internal control. | | |
| | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Commitment to Competence | Comments/Descriptions | | |

| | | | |
|---|--------------------------|--------------------------|--------------------------|
| 1. Management has identified and defined the tasks required to accomplish particular jobs and fill the various positions. | Yes | No | N/A |
| | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. The agency provides training and counseling in order to help employees maintain and improve their competence for their jobs. | Yes | No | N/A |
| | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Management's Philosophy and Operating Style Comments/Descriptions | | | |
| 1. Management has a positive and supportive attitude toward the functions of accounting, information management systems, personnel operations, monitoring, and internal and external audits and evaluations. | Yes | No | N/A |
| | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. Valuable assets and information are safeguarded from unauthorized access or use. | Yes | No | N/A |
| | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. Management has an appropriate attitude toward financial, budgetary, and operational/programmatic reporting. | Yes | No | N/A |
| | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Organizational Structure Comments/Descriptions | | | |
| 1. Key areas of authority and responsibility are defined and communicated throughout the organization. | Yes | No | N/A |
| | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. Appropriate and clear internal reporting relationships have been established. | Yes | No | N/A |
| | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. Management periodically evaluates the organizational structure and makes changes as necessary in response to changing conditions. | Yes | No | N/A |
| | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Assignment of Authority and Responsibility Comments/Descriptions | | | |
| 1. The agency appropriately assigns authority and delegates responsibility to the proper personnel to deal with organizational goals and objectives. | Yes | No | N/A |
| | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. Each employee knows (1) how his or her actions interrelate to others considering the way in which authority and responsibilities are assigned, and (2) is aware of the related duties concerning internal control. | Yes | No | N/A |
| | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. The delegation of authority is appropriate in relation to the assignment of responsibility. | Yes | No | N/A |
| | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Human Resource Policies and Practices Comments/Descriptions | | | |
| 1. Policies and procedures are in place for hiring, orienting, training, evaluating, counseling, promoting, compensating, disciplining, and terminating employees. | Yes | No | N/A |
| | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. Employees are provided a proper amount of supervision. | Yes | No | N/A |
| | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Oversight Groups Comments/Descriptions | | | |

| | | | |
|---|--------------------------|--------------------------|--------------------------|
| 1. Within the agency, there are mechanisms in place to monitor and review operations and programs. | Yes | No | N/A |
| | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| RISK ASSESSMENT | | | |
| Establishment of Entity-wide Objectives Comments/Descriptions | | | |
| 1. The agency has established entity-wide objectives that provide sufficiently broad statements and guidance about what the agency is supposed to achieve, yet are specific enough to relate directly to the agency. | Yes | No | N/A |
| | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. Entity-wide objectives are clearly communicated to all employees, and management obtains feedback signifying that the communication has been effective. | Yes | No | N/A |
| | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. The agency has an integrated management strategy and risk assessment plan that considers the entity-wide objectives and relevant sources of risk from internal management factors and external sources and establishes a control structure to address those risks. | Yes | No | N/A |
| | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Establishment of Activity-Level Objectives Comments/Descriptions | | | |
| 1. Activity-level (program or mission-level) objectives flow from and are linked with the agency's entity-wide objectives and strategic plans. | Yes | No | N/A |
| | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. The activity-level objectives are relevant to all significant agency processes. | Yes | No | N/A |
| | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. Activity-level objectives include measurement criteria. | Yes | No | N/A |
| | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 4. Management has identified those activity-level objectives that are critical to the success of the overall entity-wide objectives. | Yes | No | N/A |
| | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Risk Identification Comments/Descriptions | | | |
| 1. Management comprehensively identifies risk using various methodologies as appropriate. | Yes | No | N/A |
| | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. Adequate mechanisms exist to identify risks to the agency arising from external factors. | Yes | No | N/A |
| | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. Adequate mechanisms exist to identify risks to the agency arising from internal factors. | Yes | No | N/A |
| | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 4. In identifying risk, management assesses other factors that may contribute to or increase the risk to which the agency is exposed. | Yes | No | N/A |
| | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 5. Management identifies risks both entity-wide and for each significant activity-level of the agency. | Yes | No | N/A |
| | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Risk Analysis Comments/Descriptions | | | |

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|--|--------------------------|--------------------------|--------------------------|
| 1. After the risks to the agency have been identified, management undertakes a thorough and complete analysis of their possible effect. | Yes | No | N/A |
| | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. Management has developed an approach for risk management and control based on how much risk can be prudently accepted. | Yes | No | N/A |
| | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Managing Risk During Change Comments/Descriptions | | | |
| 1. The agency has mechanisms in place to anticipate, identify, and react to risks presented by changes in governmental, economic, industry, regulatory, operating, or other conditions that can affect the achievement of entity-wide or activity-level goals and objectives. | Yes | No | N/A |
| | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| CONTROL ACTIVITIES | | | |
| General Application Comments/Descriptions | | | |
| 1. Appropriate policies, procedures, techniques, and mechanisms exist with respect to each of the agency's activities. | Yes | No | N/A |
| | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. The control activities identified as necessary are in place and being applied. | Yes | No | N/A |
| | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. Control activities are regularly evaluated to ensure that they are still appropriate and working as intended. (This point is closely related to the functions, and points included in the "Monitoring" section. See that section for more specific information on monitoring and periodic evaluation of control activities) | Yes | No | N/A |
| | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Common Categories of Control Activities Comments/Descriptions | | | |
| 1. Top-Level Reviews. Management tracks major agency achievements in relation to its plans. | Yes | No | N/A |
| | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. Management Reviews at the Functional or Activity Level. Agency managers review actual performance against targets. | Yes | No | N/A |
| | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. Information Processing. The agency employs a variety of control activities suited to information processing systems to ensure accuracy and completeness. (Further guidance on control activities for information processing is provided in the following section under "Control Activities Specific for Information Systems." In addition, see GAO's Federal Information System Controls Audit Manual (FISCAM) and OMB Circular A-130, Management of Federal Information Resources) | Yes | No | N/A |
| | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 4. Physical Control Over Vulnerable Assets. The agency employs physical control to secure and safeguard vulnerable assets. | Yes | No | N/A |
| | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 5. Performance Measures and Indicators. The agency has established and monitors performance measures and indicators. | Yes | No | N/A |
| | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 6. Segregation of Duties. Key duties and responsibilities are divided or segregated among different people to reduce the risk of error, waste, or fraud. | Yes | No | N/A |
| | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 7. Execution of Transactions and Events. Transactions and other significant events are authorized and performed by the appropriate personnel. | Yes | No | N/A |
| | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

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| 8. Recording of Transactions and Events. Transactions and other significant events are properly classified and promptly recorded. | Yes | No | N/A |
| | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 9. Access Restrictions to and Accountability for Resources and Records. Access to resources and records is limited and accountability for their custody is assigned. | Yes | No | N/A |
| | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 10. Documentation. Internal Control and all transactions and other significant events are clearly documented. | Yes | No | N/A |
| | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Control Activities Specific for Information Systems General Control | | | |
| Entity-wide Security Management Program Comments/Descriptions | | | |
| 1. The agency periodically performs a comprehensive, high-level assessment of risks to its information systems. | Yes | No | N/A |
| | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. Senior management has established a structure to implement and manage the security program throughout the agency and security responsibilities are clearly defined. | Yes | No | N/A |
| | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. The agency monitors the security program's effectiveness and makes changes as needed. | Yes | No | N/A |
| | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Access Control Comments/Descriptions | | | |
| 1. Resource owners have identified authorized users, and their access to the information has been formally authorized. | Yes | No | N/A |
| | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. The agency has established physical and logical controls to prevent or detect unauthorized access. | Yes | No | N/A |
| | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. The agency monitors information systems access, investigates apparent violations, and takes appropriate remedial and disciplinary action. | Yes | No | N/A |
| | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Application Software Development and Change Control Comments/Descriptions | | | |
| 1. Information system processing features and program modifications are properly authorized. | Yes | No | N/A |
| | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. All new or revised software is thoroughly tested and approved. | Yes | No | N/A |
| | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. The agency has established procedures to ensure control of its software libraries, including labeling, access restrictions, and use of inventories and separate libraries. | Yes | No | N/A |
| | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| System Software Control Comments/Descriptions | | | |
| 1. The agency limits access to system software based on job responsibilities, and access authorization is documented. | Yes | No | N/A |
| | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. Access to and use of system software is controlled and monitored. | Yes | No | N/A |
| | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

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| 3. The agency controls changes made to the system software. | Yes | No | N/A |
| | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Segregation of Duties Comments/Descriptions | | | |
| 1. Incompatible duties have been identified and policies implemented to segregate those duties. | Yes | No | N/A |
| | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. Access controls have been established to enforce segregation of duties. | Yes | No | N/A |
| | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. The agency exercises control over personnel activities through the use of formal operating procedures, supervision, and review. | Yes | No | N/A |
| | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Service Continuity Comments/Descriptions | | | |
| 1. The agency has taken steps to prevent and minimize potential damage and interruption through the use of data and program backup procedures including off- site storage of backup data as well as environmental controls, staff training, and hardware maintenance and management. | Yes | No | N/A |
| | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Control Activities Specific for Information Systems Application Control | | | |
| Authorization Control Comments/Descriptions | | | |
| 1. Source documents are controlled and require authorization. | Yes | No | N/A |
| | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. Data entry terminals have restricted access. | Yes | No | N/A |
| | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. Master files and exception reporting are used to ensure that all data processed are authorized. | Yes | No | N/A |
| | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Completeness Control Comments/Descriptions | | | |
| 1. All authorized transactions are entered into and processed by the computer. | Yes | No | N/A |
| | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. Reconciliations are performed to verify data completeness. | Yes | No | N/A |
| | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Accuracy Control Comments/Descriptions | | | |
| 1. The agency's data entry design features contribute to data accuracy. | Yes | No | N/A |
| | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. Data validation and editing are performed to identify erroneous data. | Yes | No | N/A |
| | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. Erroneous data are captured, reported, investigated, and promptly corrected. | Yes | No | N/A |
| | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 4. Output reports are reviewed to help maintain data accuracy and validity. | Yes | No | N/A |
| | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

| Control Over Integrity of Processing and Data Files Comments/Descriptions | | | |
|---|--------------------------|--------------------------|--------------------------|
| 1. Procedures ensure that the current versions of production programs and data files are used during processing. | Yes | No | N/A |
| | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. Programs include routines to verify that the proper version of the computer file is used during processing. | Yes | No | N/A |
| | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. The application protects against concurrent file updates. | Yes | No | N/A |
| | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| INFORMATION AND COMMUNICATIONS | | | |
| Information Comments/Descriptions | | | |
| 1. Information from internal and external sources is obtained and provided to management as a part of the agency's reporting on operational performance relative to established objectives. | Yes | No | N/A |
| | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. Pertinent information is identified, captured, and distributed to the right people in sufficient detail, in the right form, and at the appropriate time to enable them to carry out their duties and responsibilities efficiently and effectively. | Yes | No | N/A |
| | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Communications Comments/Descriptions | | | |
| 1. Management ensures that effective internal communications occur. | Yes | No | N/A |
| | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. Management ensures that effective external communications occur with groups that can have a serious impact on programs, projects, operations, and other activities, including budgeting and financing. | Yes | No | N/A |
| | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| MONITORING | | | |
| Ongoing Monitoring Comments/Descriptions | | | |
| 1. Management has a strategy to ensure that ongoing monitoring is effective and will trigger separate evaluations where problems are identified or systems are critical and testing is periodically desirable. | Yes | No | N/A |
| | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. In the process of carrying out their regular activities, agency personnel obtain information about whether internal control is functioning properly. | Yes | No | N/A |
| | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. Communications from external parties should corroborate internally generated data or indicate problems with internal control. | Yes | No | N/A |
| | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 4. Data recorded by information and financial systems are periodically compared with physical assets and discrepancies are examined. | Yes | No | N/A |
| | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 5. The Inspector General and other auditors and evaluators regularly provide recommendations for improvements in internal control with management taking appropriate follow-up action. | Yes | No | N/A |
| | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Separate Evaluations Comments/Descriptions | | | |
| 1. The scope and frequency of separate evaluations of internal control are appropriate for the agency. | Yes | No | N/A |
| | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

| | | | |
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| 2. The methodology for evaluating the agency's internal control is logical and appropriate. | Yes | No | N/A |
| | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. Deficiencies found during separate evaluations are promptly resolved. | Yes | No | N/A |
| | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Audit Resolution. Comments/Descriptions (Audit Resolution includes the resolution of findings and recommendations not just from formal audits, but also resulting from informal reviews, internal separate evaluations, management studies, and assessments made pursuant to the requirements of the Federal Managers' Financial Integrity Act (FMFIA) of 1982 and the Federal Financial Management Improvement Act (FFMIA) of 1996) | | | |
| 1. The agency has a mechanism to ensure the prompt resolution of findings from audits and other reviews. | Yes | No | N/A |
| | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. Agency management is responsive to the findings and recommendations of audits and other reviews aimed at strengthening internal control. | Yes | No | N/A |
| | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

Department of the Interior

Agency

Chief Financial Officer (signature)

Date

Chief Financial Officer (printed)