

INTERNAL ACCOUNTING CONTROL QUESTIONNAIRE

Provider _____

Year Ended _____

All yes-or-no questions are worded so that "yes" is a favorable response, and "no" indicates that further investigation or evaluation may be appropriate. All answers should be documented as to source (i.e., by inquiry or workpaper reference).

Signature _____

Date _____

Questions	Determined by			Remarks
	N/A	Yes	No	
I GENERAL				
1. Is a complete and current chart of accounts used?				
2. Are duties for key employees of the nursing home defined?				
3. Is a double entry bookkeeping system in use which includes a general ledger, books of original entry and suitable subsidiary records?				
4. Are written procedures maintained covering the recording of transactions?				
5. Do the records provide for efficient accumulation of entries and avoidance of unnecessary or duplicate work?				
6. Are standard journal entries used to the extent practicable?				
7. Are journal entries understood and authorized by the owner?				
8. Does the owner reasonably understand the form and content of the financial statements and such required reports as the Medicaid Financial and Statistical Report?				
9. Does the owner use operating budgets? If so, a. Do the budgets lend themselves to effective comparison with actual results? b. Are material variances reviewed and explained?				
10. Are monthly comparative financial reports prepared which are sufficiently informative to highlight abnormalities?				
11. Has any aspect of the provider's activities been audited within the past 2 years by either another governmental agency or by an independent public accountant?				
<u>Internal Control</u>				
12. Are the books of original entry posted promptly and the general ledger and subsidiary ledgers kept current and balanced periodically (monthly)?				

Questions	Determined by			Remarks
	N/A	Yes	No	
13. Is there adequate control including a reporting schedule and assigned responsibility for preparation of required financial statements and government regulatory reports?				
14. Are the personal funds of the owner including his personal income and expenses completely segregated from the business?				
15. Is the bookkeeper required to take annual vacations and does someone else perform the bookkeeping duties during that time?				
16. Are there adequate safekeeping facilities for custody of the accounting records such as fireproof storage areas and restricted access cabinets?				
17. Is there adequate fidelity bond coverage of employees who handle cash, patient personal needs funds, securities, other valuable assets and accounting records?				
18. Is the adequacy of insurance coverage periodically reviewed?				
19. Is there a suitable records retention plan, i.e., 3 years subsequent to the contract expiration date?				
20. Is the owner satisfied that all employees are competent and honest?				
II REVENUE CYCLE (REVENUE, RECEIVABLES & CASH RECEIPTS)				
<u>Revenue and Accounts Receivable</u>				
1. Are there controls to ensure that all services performed, both ancillary and routine are billed?				
2. Are 3rd party payers such as Medicare properly billed on a timely basis?				

Questions	Determined by						Remarks
	N/A	Yes	No	INO	QBS	Test	
3. Are all charge slips: a. Prenumbered and all numbers accounted for? b. Checked for price? c. Checked for clerical accuracy? d. Recorded promptly?							
4. Are all credit memos prenumbered and all: a. Numbers accounted for? b. Approved? c. Recorded promptly?							
5. Is there a proper cutoff of charges at month end?							
6. Are monthly statements of account for all receivable balances: a. Reviewed by the owner before mailing? b. Mailed by the owner or a responsible employee other than the bookkeeper?							
7. Is the accounts receivable subsidiary ledger balanced monthly to the general ledger control account?							
8. Is an aging schedule or schedule of past due patients' accounts prepared monthly?							
9. Does the owner or business manager review monthly listings of past due patient accounts and investigate delinquent accounts and unusual items?							
10. Are write-offs and other adjustments to patients' accounts authorized by the owner?							
<u>Cash Receipts</u>							
1. Does the owner or a responsible employee other than the bookkeeper or person who maintains accounts receivable detail: a. Open the mail and prelist all cash receipts before turning them over to the bookkeeper? b. Stamp all checks with the restrictive endorsement "for deposit only" before turning them over to the bookkeeper? c. Subsequently compare the daily prelisting of cash receipts with: (i) The cash receipts journal? (ii) The duplicate deposit slip?							

Questions	N/A	Yes	No	Determined by			Remarks
				INO	OBS	Test	
2. Are currency receipts controlled by prenumbered receipt forms?							
3. Are cash receipts deposited intact on a daily basis?							
4. Are cash receipts posted promptly to the accounts receivable subsidiary records?							
5. Are contractual adjustments checked for conformity with an authorized policy?							
6. Are there procedures to control the receipt of funds for miscellaneous transaction such as: a. Sale of property? b. Insurance recoveries? c. Vendor rebates? d. Investment income?							
III EXPENDITURES CYCLE							
Purchases and Accounts Payable							
<u>Purchasing</u>							
1. Does the owner or a designated person other than the bookkeeper do the purchasing?							
2. Are all purchases over a pre-determined dollar amount approved by the owner or administrator?							
3. Are there procedures to ensure procurement of goods and services at competitive prices?							
4. Are purchases of services, property and equipment, investments and other non-routine items approved by the owner?							
5. Are all purchases based on purchase orders which present descriptions, quantities and prices which are approved before issuance?							
6. Are all purchase order forms prenumbered and is custody of unissued forms adequate to prevent their misuse?							
7. Are issued purchase orders listed in detail showing order numbers, vendors' names, quantities and prices to control their issuance and disposition? (This may be in the form of a register, log, or file of copies of issued purchase order forms.)							

Questions

N/A Yes. No

Determined by
INQ OBS Test

Remarks

8. Are open purchase orders periodically reviewed for delivery period so that past due orders may be brought to the owner's attention?

Receiving

9. Are all materials inspected for condition and independently counted, measured or weighed when received?

10. Are receiving reports used and prepared promptly?
(Note: copies of purchase orders with the quantities blanked out may serve this purpose.)

11. Are receiving reports subjected to the following:
a. Prenumbering and accounting for the sequence of all numbers? (This may be coordinated with accounting for all purchase orders - see items 6 and 7 above.)
b. Promptly provided (by copies) to those who perform the purchasing and accounting (accounts payable) functions?
c. Controlled so that the liability may be determined for materials received but not yet invoiced?

Accounts Payable

12. Are vendor's invoices:
a. Matched with applicable purchase orders?
b. Matched with applicable receiving reports?
c. Reviewed for correctness of:
 (i) Quantities received?
 (ii) Prices charged?
 (iii) Clerical accuracy (extensions & footings)?
 (iv) Account distribution?

13. Are all available discounts taken?

14. Is there written evidence that invoices have been properly processed (for example, a block stamp, attachment of a voucher form, annotations) before payment?

Questions	N/A	Yes.	No	Determined by			Remarks
				INQ	OBS	Test	
8. Are open purchase orders periodically reviewed for delivery period so that past due orders may be brought to the owner's attention?							
<u>Receiving</u>							
9. Are all materials inspected for condition and independently counted, measured or weighed when received?							
10. Are receiving reports used and prepared promptly? (Note: copies of purchase orders with the quantities blanked out may serve this purpose.)							
11. Are receiving reports subjected to the following: a. Prenumbering and accounting for the sequence of all numbers? (This may be coordinated with accounting for all purchase orders - see items 6 and 7 above.) b. Promptly provided (by copies) to those who perform the purchasing and accounting (accounts payable) functions? c. Controlled so that the liability may be determined for materials received but not yet invoiced?							
<u>Accounts Payable</u>							
12. Are vendor's invoices: a. Matched with applicable purchase orders? b. Matched with applicable receiving reports? c. Reviewed for correctness of: (i) Quantities received? (ii) Prices charged? (iii) Clerical accuracy (extensions & footings)? (iv) Account distribution?							
13. Are all available discounts taken?							
14. Is there written evidence that invoices have been properly processed (for example, a block stamp, attachment of a voucher form, annotations) before payment?							

Questions	N/A	Yes	No	Determined by			Remarks
				INQ	OBS	Test	
15. Are duplicate invoices conspicuously stamped or destroyed as a precaution against duplicate payment?							
16. Are approved debit memos used to notify vendors of goods returned to them and other adjustments of their accounts?							
17. Are there procedures which provide that direct shipments to patients, if any, are properly billed to them?							
18. Does the owner verify that the trial balance of accounts payable agrees with the general ledger control account?							
19. Does the owner verify that other key accounts agree with the subsidiary records?							
20. Are vendors' statements reconciled with accounts payable detail?							
21. Are vendors' statements checked by the owner periodically for overdue items?							
22. Are there adequate controls, such as, checklists for statement closing procedures to ensure that open invoices for goods and services received are properly recorded and accrued?							
23. Is there a stated period-end cutoff date for accounts payable?							
24. Are expense accounts: a. Submitted promptly? b. Adequately supported? c. Approved before payment?							

Questions				Determined by			Remarks
	N/A	Yes	No	INO	OBS	Test	
<u>Payrolls</u>							
1. Are all employees hired by the owner or administrator?							
2. Does the provider have and communicate to all employees written personnel policies covering job descriptions, benefits, hiring, promotion, and dismissal?							
3. Are individual personnel files maintained?							
4. Is access to the personnel files limited to the owner or a designee who is independent of the payroll or cash functions?							
5. Are wages and salaries approved by the owner?							
6. Are proper authorizations obtained for all payroll deductions?							
7. Is gross pay determined using authorized rates and adequate time records for employees paid by the hour?							
8. If employees punch time clocks, are the clocks located so they may be watched by someone with authority?							
9. Are time records for hourly employees approved by a supervisor?							
10. Would the owner or administrator be aware of the absence of any employee?							
11. Are there procedures for controlling overtime?							
12. Is the clerical accuracy of the payroll checked?							

Questions	N/A	Yes	No	Determined by			Remarks
				INO	OBS	Test	
3. Do written inventory procedures exist and, if so, are they determined or approved by the owner?							
4. Do the inventory procedures adequately address the following matters: a. Location and orderly physical arrangement of inventories? b. Identification and description of the inventories by persons familiar with it? c. Method of determining quantities such as weight, count or measure? d. Identification of stock counted to determine all items are counted and to preclude duplicate counting? e. Cut-off of receipts and deliveries? f. Control of physical inventory records, such as prenumbering of all count sheets, count tickets, and accounting for all numbered records issued and used? g. Identification of obsolete and damaged items?							
5. Are inventories under physical control of a designated employee who is responsible for quantities and who is also not the bookkeeper?							
6. Are there reasonable safeguards against theft or pilferage such as fences or locked areas?							
7. Are the inventories adequately insured?							
<u>Perpetual Inventory Records</u>							
8. Are perpetual inventory records maintained and, if so, - a. Are the perpetual records controlled by general ledger accounts and adjusted to periodic physical inventories at least once a year? b. Are the perpetual records kept by someone other than the person(s) who have custody of the physical stock? c. Are differences between physical counts and perpetual records investigated? d. Are adjustments to the perpetual records approved by the owner?							

Questions	Determined by			Remarks
	N/A	Yes	No	
<u>Cost</u>				
9. Does the provider (or home office) have an indirect cost allocation plan?				
10. Has prior approval of the cost allocation plan been granted by SCDSS where allocations different than those approved in HIM-15 have been used?				
11. Does the provider or home office have procedures which provide assurance that consistent treatment is applied in the distribution of direct and indirect costs to cost centers or facilities?				
12. Do the accounting records provide for properly classified accumulation of the costs of materials, labor, and overhead?				
13. Does the home office accounting procedures lend itself to accumulation of costs by facility and if so, is an appropriate cost accounting system used?				
14. Is the cost accounting system tied in with or reconciled to the general ledger?				
15. Are home office cost budgets and reports prepared periodically? a. Do the budgets lend themselves to comparison with actual costs? b. Are differences between budget and actual costs investigated and explained? c. Are cost budgets and comparisons with actual costs reviewed by the owner?				
<u>Receipts, Usage and Shipments</u>				
16. Do receiving personnel verify the quantity and quality of materials purchased and prepare formal receiving reports?				
17. Are signed requisitions required for release of all materials from the storeroom and, if so, are the requisitions prenumbered and all numbers accounted for?				
18. Are receiving areas separate from inventory storage areas?				

Questions	W/A Yes No			Determined by			Remarks
				INO	CBS	Test	
<u>Property, Plant and Equipment</u>							
1. Is there a written capitalization policy?							
2. Are all additions authorized by the owner?							
3. Are estimated useful lives recorded in accordance with either AHA or IRS useful life guidelines?							
4. Does the owner authorize all retirements?							
5. Are there detailed records of property, plant and equipment which -- a. Identify specific assets including their costs and acquisition dates? b. Show related depreciation? c. Are balanced periodically (at least annually) with the general ledger control accounts?							
6. Are there adequate detailed records for leased property under capital leases?							
7. Are periodic physical inventories or inspections made of property, plant and equipment?							
8. Are differences between physical inventories and books reconciled and adjusted?							
9. Are depreciable lives periodically reviewed for adequacy in relation to unanticipated use or obsolescence based on actual experience?							
V FINANCING CYCLE							
<u>Notes Receivable and Investments</u>							
1. Does the owner authorize all notes receivable?							
2. Are all investment purchases and sales authorized by the owner?							
3. Is a detailed record of notes and investments maintained including related income? a. Is the record kept current? b. Is the record reconciled to the ledger control accounts?							

Questions	Determined by			INO	OBS	Test	Remarks
	N/A	Yes	No				
4. Are investments registered in the name of the company?							
5. Does owner have sole access to notes and investment certificates?							
6. Are investments kept in a safe place?							
7. Are investments counted or confirmed periodically?							
<u>Notes Payable, Debt, and Other Term Obligations (such as Leases)</u>							
1. Does the owner negotiate all borrowings?							
2. Does the owner understand the terms, conditions and finance cost (interest) of all debts lease obligations of a financing nature?							
3. Are detailed, up to date, records maintained of notes payable, long-term debt and other term obligations such as leases?							
4. Are the company files adequate regarding copies of outstanding notes, bonds, mortgages and leases?							
5. Are paid bonds and notes effectively cancelled and retained in the company?							
<u>Owner's Equity</u>							
1. If doing business as a corporation:							
a. Are the owner's records safeguarded and in order regarding the certificate or articles of incorporation, bylaws, unissued stock certificates (if any), and relevant correspondence with legal counsel?							
b. Does the general ledger include appropriate capital accounts?							
c. Are minute books maintained and properly safeguarded?							
2. If doing business as a sole proprietorship, does the general ledger include appropriate capital accounts?							