

**Nonprofit Program Office (NPPO)
Office of Research and Development
Veterans Health Administration**

**Internal Controls Questionnaire (ICQ)
Self-Assessment for
VA Affiliated Nonprofit Research and
Education Corporations (NPCs)**

October 1, 2016

**Nonprofit Program Office (NPPO)
Office of Research and Development
Veterans Health Administration
U. S. Department of Veterans Affairs (VA)**

Self-Assessment for VA-Affiliated Nonprofit Research and Education Corporations (NPCs) established pursuant to sections 7361-7366, title 38, United States Code

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Introduction

The Self-Assessment of Internal Control, commonly referred to as the Internal Control Questionnaire (ICQ) is a tool to be utilized by the NPPO and NPCs. At this time, we are not expecting documentation for each of these items.

The ICQ is an NPPO review or audit tool. The purpose will be to confirm that internal controls are present and effective, or to identify areas requiring improvement. The NPPO will develop formal written recommendations for improvements to the NPC's management, the VA Medical Center Director, and the NPC's board of directors.

The NPPO estimates that it will take an average of four hours to complete the ICQ. However, because of the huge size disparities in the NPCs and other factors peculiar to some of the NPCs, more or less time may be required. If you would like to comment upon the estimated burden of answering this ICQ, or have any questions or suggestions, please contact Kimberly Collins, NPPO Director, at (202) 731-6973 or kimberly.collins@va.gov.

VA and the NPPO cannot ensure that the ICQ answers will be kept confidential or private. However, the NPPO will make a reasonable effort to confine the answers to those within VA who have a need to know.

The ICQ does not contain any information that can reasonably be regarded as sensitive.

The ICQ will be made available to respondents electronically by email or a download from the NPPO Website. The completed ICQs must be returned to NPPO electronically. There is no additional record-keeping requirement for the ICQ.

The ICQ will be answered by the NPC's Executive Director, Chief Executive Officer, Chief Financial Officer, Controller or other person with equivalent authority, ability and knowledge of the NPC's operations and internal controls.

Complete the required information at the top of page one and then check the correct box. If you are uncertain about how to answer a question, leave it blank and go on to the next one.

System of Internal Controls

A proper system of internal control provides *reasonable assurance* that the financial statements are fairly presented and that management's goals are being properly pursued. Such a system includes fully documented policies and procedures that ensure, among other things, that:

- A. Transactions are executed according to management's general or specific authorization.

- B. Transactions are recorded, as necessary, to:
1. prepare the financial statements that conform with generally accepted accounting principles, and
 2. account for assets, liabilities, net worth, cash flow, revenues and expenses.
- C. Access to assets is permitted according to management's authorization.

The ultimate responsibility for an effective system of internal control rests with management. Periodically, when submitting financial statement information, management must attest to the accuracy of that information along with the soundness of internal controls. This ICQ should be used as a key tool in making those assertions. Additionally, many aspects of internal control are currently documented in VHA Handbook 1200.17.

Framework

The ICQ consists of the following accounting cycles or sections:

- A. Control Environment
- B. Financial Reporting
- C. Budget Reporting
- D. Cash Receipts
- E. Accounts Receivable
- F. Purchasing/Accounts Payable
- G. Human Resource
- H. Computer Security
- I. VHA Handbook 1200.17

Acknowledgement

The framework for the ICQ is taken from sources both within and outside the NPPO and VA, particularly the State of North Carolina and the Committee of Sponsoring Organizations of the Treadway Commission (COSO) as published in Internal Control—Integrated Framework in 1992.

**Nonprofit Program Office (NPPO)
Office of Research and Development
Veterans Health Administration
U.S. Department of Veterans Affairs (VA)**

Self-Assessment of Internal Controls
for VA Affiliated Nonprofit Research and Education Corporations (NPCs)

NPC: Click here to enter text.

City: Click here to enter text.

State: Click here to enter text.

Prepared by: Click here to enter text.

Title: Click here to enter text.

Telephone #: Click here to enter text.

E-mail address: Click here to enter text.

Date Prepared: Click here to enter a date.

A. Control Environment

Please check box for correct answer. Leave other boxes blank.

Yes No N/A 1. Does a written Conflict of Interest Policy (COI) exist and does it apply to all officers, employees and directors?

2. Does the COI Policy contain:

Yes No N/A a. A definition of COI?

Yes No N/A b. A training requirement for directors, officers and employees about the policies within 90 days of hire or affiliation with the NPC?

- Yes No N/A c. An annual training requirement for directors, officers and employees with decision-making authority?
- Yes No N/A d. A requirement for directors, officers and employees with decision-making authority to disclose potential COI?
- Yes No N/A e. A requirement that each director, officer and employee sign a statement of acknowledgement of understanding and agreement to comply with the policy upon hire or affiliation with the NPC?
- Yes No N/A f. A process for identifying and managing COI?

Please provide training certificates to the on-site NPPO auditors. Copies are not necessary.

- Yes No N/A 3. Is there a written policy and procedure for managing real or perceived conflicts of interest resulting from the hiring of subordinates with a financial, social, familial or romantic relationship?
- Yes No N/A 4. Is Internal Controls training provided to directors, officers and employees with decision-making authority within 90 days of hire or affiliation?
- Yes No N/A 5. Does the NPC have an anonymous and confidential Whistleblower policy for communicating and receiving information regarding fraud, errors in financial reporting, and misrepresentations or false statements made by management?
- Yes No NA 6. Are job responsibilities formally documented and reviewed annually by supervisors or management?
- Yes No N/A 7. Does management ensure compliance with the NPC's personnel policies and procedures
- Yes No N/A 8. Do senior management and the board review financial results at least quarterly?
- Yes No N/A 9. Are unusual variances between budget and actual examined?

- Yes No N/A 10. Is there a process for internal review of the NPC's operations?
- Yes No N/A 11. Does the Executive Director report to the board of directors?
- Yes No N/A 12. Does the NPC follow the annual audit guidelines for an independent outside audit in accordance with VHA Handbook 1200.17?
- Yes No N/A 13. Does the NPC accept VA-appropriated funds only when pursuant to reimbursement for an approved Intergovernmental Personnel Act (IPA) assignment?
- Yes No N/A 14. If material weaknesses or control deficiencies were identified in the auditor's letter to management, has the NPC board approved management's corrective plan?
- Yes No N/A 15. If applicable, does management follow-up on other outside audit and internal review findings and recommendations?
- Yes No N/A 16. Has the NPC obtained an exemption from state taxes, if allowed by the state?
- Yes No N/A 17. Does the NPC provide research investigators with financial reports of their active projects at least quarterly, including income and expenditures (annually for dormant accounts)?
- Yes No N/A 18. Does the NPC send donor acknowledgment letters reflecting the purpose and conditions of gifts that conform to IRS requirements?
- Yes No N/A 19. Are written policies and procedures reviewed periodically, approved by senior management, and readily available for use by all employees?
- Yes No N/A 20. Is there an organizational chart that clearly defines the lines of management authority and responsibility? Please show to the on-site NPPO auditors.
- Yes No N/A 21. Are board elections conducted in accordance with the NPC's bylaws?
- Yes No N/A 22. Are dollar limits established for check signing authority and equipment purchases?

- Yes No N/A 23. Does management understand the concept and importance of internal controls, including division of responsibility?
- Yes No N/A 24. Is the internal control structure supervised and reviewed by management to determine whether it is operating as intended?
- Yes No N/A 25. Are responsibilities segregated so that no single employee or related parties control all phases of a transaction?
- Yes No N/A 26. Are there adequate policies and procedures for authorization and approval of transactions at the appropriate level?
- Yes No N/A 27. Is risk identification, e.g. fraud, embezzlements, decrease in CRADA revenue, decrease in federal funding, etc. incorporated into management's short-term and strategic planning?
- Yes No N/A 28. Have there been any thefts, embezzlements, or other irregularities in the organization since the last audit?

If **yes** to 28, please answer questions 29-31, if **no** proceed to 32.

- Yes No N/A 29. If there were any thefts, embezzlements, or other irregularities since the last audit, have they been properly reported to NPPO, VA OIG, and VA police?
- Yes No N/A 30. Has corrective action been taken to prevent a recurrence of any thefts, embezzlements, or other irregularities that may have happened?
- Yes No N/A 31. Has an appropriate effort been made to recover any thefts, embezzlements, or diversions of funds?
- Yes No N/A 32. Are there any project accounts that are overdrawn and in a deficit status?
- Yes No N/A 33. Is the Board aware when accounts are overdrawn with no anticipated revenues?

B. Financial Reporting Cycle

- Yes No N/A 1. Are accounting policies and procedures written and are they communicated to all accounting and applicable personnel?
- Yes No N/A 2. Is the general ledger chart of accounts properly maintained by authorized personnel?

Yes No N/A 3. Is an accountant assigned responsibility to supervise the conversion from cash basis to accrual basis accounting for the year-end financial reporting?

Yes No N/A 4. Does the NPC maintain the trial balances, adjustments and supporting work papers to support the process of closing the general ledger, preparing financial statements, and making financial statement footnote disclosures?

Yes No N/A 5. Are the financial statements and footnote disclosures supported by the underlying supporting documentation (i.e. general ledger, reconciliations, journal entries, and work papers)?

Yes No N/A 6. Is the supporting documentation attached to the general ledger journal entries and secured in a safe location?

Yes No N/A 7. Are the financial statements and footnote disclosures updated to reflect any new FASB and GASB pronouncements or any other significant standards?

Yes No N/A 8. Are comparative (current period to prior year and current period to budget) quarterly statements prepared and distributed to management and the board?

Yes No N/A 9. Is there a financial highlights narrative accompanying the monthly or quarterly financial statements?

C. Budget Reporting Cycle

Yes No N/A 1. Has the board approved an annual administrative budget?

Yes No N/A 2. Have procedures been adopted and communicated establishing authority and responsibility for budget revisions?

Yes No N/A 3. Are comparative statements, actual to budget, prepared and distributed to management and the board at least quarterly?

Yes No N/A 4. Does the NPC's Executive Director or accountant determine the availability of funds before the issuance of a purchase order or expenditure commitment?

D. Revenue Cycle

Yes No N/A 1. Is there a written policy and procedure defining responsibilities for processing and recording revenue transactions?

Yes No N/A 2. Do written procedures exist regarding the collection, recording and depositing of funds?

Yes No N/A 3. Is a restrictive endorsement placed on incoming checks at the earliest point of receipt?

Yes No N/A 4. Do deposit slips have an official depository bank number preprinted on the document?

5. Are the following responsibilities performed by different unrelated individuals?

Yes No N/A a. Custodian of the funds, reconciliation of the funds, and access to cash receipts?

Yes No N/A b. Listing the cash receipts, making cash disbursements, and preparing reconciliations?

Yes No N/A c. Making a deposit, billing, making general ledger entries and collecting cash?

Yes No N/A d. Collecting cash, balancing cash, making bank deposits, maintaining accounts receivable records and making general ledger entries?

Yes No N/A e. Preparation of the deposit and verifying the validated bank deposit?

Yes No N/A 6. Are deposits made timely after receipt?

Yes No N/A 7. Are there controls in place for signature stamps?

Yes No N/A 8. Are there controls to ensure each cash disbursement is properly supported by documents and approved by the proper authorities before the disbursement occurs?

Yes No N/A 9. Are there controls over the supply of unused and voided checks?

Yes No N/A 10. Is effective control maintained over receipts of grants, donations, etc. and is a follow-up made by a responsible employee to see that they have been classified and recorded properly?

Yes No N/A 11. Does management review and approve bank reconciliations on a monthly basis?

E. Accounts Receivable Cycle

Yes No N/A 1. Are there a written policy and procedures for accounts receivable?

Yes No N/A 2. Does the NPC have established policies and procedures concerning refund of overpayments and the issuance of billing adjustments?

3. Are the following amounts properly recorded:

Yes No N/A a. Amounts due from the VAMC for Intergovernmental Personnel Act assignment (IPAs)?

Yes No N/A b. Amounts due from funders?

Yes No N/A c. Amounts due from other grants?

Yes No N/A d. Amounts due from other misc. sources?

Yes No N/A e. Interest receivable?

Yes No N/A 4. Are remittance billings retained to support entries to accounts receivable records?

Yes No N/A 5. Is the accountant notified in a timely manner of billings and collection?

Yes No N/A 6. Is access to the accounts receivable accounting system limited to authorized individuals?

F. Purchasing / Accounts Payable Cycle

- Yes No N/A 1. Is there a written policy and procedure defining the responsibilities of preparing, recording, and approving all purchases and accounts payable functions?
- Yes No N/A 2. Is each purchase or expenditure justified by its relation to VA research, education or the NPC's business purpose?
- Yes No N/A 3. Has the NPC established procedures to ensure that all voided checks are properly accounted for and effectively canceled?
- Yes No N/A 4. Does the NPC have a travel reimbursement policy that conforms to IRS requirements, that is to only reimburse for actual expenses or for GSA per diem amounts?
5. Do invoice processing procedures provide:
- Yes No N/A a. Obtaining copies of requisitions, purchase orders and receiving reports?
- Yes No N/A b. Comparison of invoice quantities, prices, and terms with those shown on the purchase order?
- Yes No N/A c. Comparison of invoice quantities with those shown on the receiving reports?
- Yes No N/A 6. Is an adequate record of open purchase orders and agreements maintained?
- Yes No N/A 7. Is there a prohibition against splitting orders to avoid higher levels of approval?
- Yes No N/A 8. Are returned items correlated with vendor credit memos?
- Yes No N/A 9. Does the accounting department or accountant record and follow up on partial deliveries?
- Yes No N/A 10. Are credit card purchases reconciled monthly by someone other than and unrelated to the card holder?

G. Human Resources Cycle

Yes No N/A 1. Are there written policy and procedures defining the responsibilities of processing, recording, approval and distribution of payroll and of personnel activities?

Yes No N/A 2. Are there written NPC personnel policies?

Yes No N/A 3. Are personnel files maintained for all employees?

Yes No N/A 4. Is access to payroll and personnel files limited to authorized individuals?

Yes No N/A 5. Are completed payroll transmittals reviewed and approved by a responsible person before check processing?

Yes No N/A 6. Are payroll registers reconciled to the payroll accounts in the general ledger by a knowledgeable person not otherwise involved in payroll processing?

7. Are individual employee time and attendance records:

Yes No N/A a. Prepared and signed by each employee for each pay period?

Yes No N/A b. Adequately detailed to identify time charged properly?

Yes No N/A c. Reviewed and signed by each employee's supervisor?

Yes No N/A d. Reconciled with summarized time and attendance records?

Yes No N/A 8. If applicable, is overdrawn vacation or sick leave deducted when calculating final compensation upon termination?

Yes No N/A 9. Are employee leave records updated each pay period to ensure payment is available when needed?

Yes No N/A 10. Are VA employees on the NPC payroll? If yes, please identify to on-site NPPO Auditors.

H. Computer Security

Note: Many NPCs rely upon the VAMC to operate and maintain their IT systems. Please skip these questions if you use the VA IT system.

Yes No N/A 1. Is a formal documented security administration process in place to ensure that access to all applications, including restricted access to financial applications, is approved?

Yes No N/A 2. Does a login name and a password uniquely identify users when they sign on to the system (e.g. no group user IDs)?

Yes No N/A 3. Do personal computers under control of the NPC use a recognized anti-virus (A/V) program and is it updated on a regular schedule?

Yes No N/A 4. Does the NPC have a security firewall established for their LAN or for individual workstations?

Yes No N/A 5. Has the NPC taken steps to prevent and minimize potential damage and interruption through the use of backups, including off-site storage of backup data as well as environmental controls, staff training, and hardware maintenance and management?

Yes No N/A 6. Does the NPC monitor information systems access, investigate apparent violations, and take appropriate remedial and disciplinary action?

Yes No N/A 7. Does the NPC ensure that all sensitive data and programs are removed from computers before they are disposed?

I. VHA Handbook 1200.17

Yes No N/A 1. Are policies and procedures consistent with statutes and VA guidance, particularly with Handbook 1200.17?

Yes No N/A 2. Is a control list maintained for required WOC appointments and is the list reviewed monthly?

Yes No N/A 3. Do you have documentation that the Medical Center Director concurred in the appointment of the Executive Director on behalf of the Under Secretary for Health?

- Yes No N/A 4. Are the Medical Center Director, Chief of Staff, Associate Chief Staff for R&D, and/or Associate Chief of Staff for Education (or those with equivalent titles) participating members of the board?
- Yes No N/A 5. Is the composition of the board in compliance with the VHA Handbook 1200.17?
- Yes No N/A 6. Does the NPC have a record retention policy that satisfies IRS requirements and standard practices for retaining and disposing of business records?
- Yes No N/A 7. If the NPC has in its custody, documents subject to VA retention policies (e.g. completed case report forms or signed informed consent forms), does the NPC follow applicable VA requirements regarding storage, retention and disposition?
- Yes No N/A 8. Has the VAMC's HR Department issued Without Compensation Appointments (WOC's) to all NPC employees who are engaged in approved VA research or education and are under VA supervision?
- Yes No N/A 9. Has the VAMC's HR department issued Without Compensation Appointments (WOC's) to VA employees working at the NPC outside of their VA tour of duty but who are engaged in approved VA research or education and are under VA supervision?
- Yes No N/A 10. Has the VAMC's HR department issued an affiliate badge to NPC Administrative Personnel (those not engaged in VA approved research or education) in accordance with VA Handbook 0735 issued on February 17, 2011?
- Yes No N/A 11. Are copies of current WOC appointments kept on file at the NPC?
- Yes No N/A 12. Are NPC employees placed on IPA appointments at the VAMC hired and paid by the NPC at least 90 days prior to the IPA appointment?
- Yes No N/A 13. Are IPA appointments used strictly for scientific and technical personnel and not administrative employees?
- Yes No N/A 14. Are IPA appointments made for limited durations and are copies maintained on file at the NPC?

- Yes No N/A 15. Are there current, signed COI statements and disclosure forms on file at the NPC for all board members and key NPC employees?
- Yes No N/A 16. Do time sheets used for joint VA -- NPC employees clearly document the tour of duty for each entity so that there is no dual compensation for the same hours worked?
- Yes No N/A 17. Does the NPC have a residual fund policy that is in accordance with Handbook 1200.17?
- Yes No N/A 18. Are transfers of active projects including associated funds and equipment approved by the donor?
- Yes No N/A 19. Does the NPC pay for publications and subscriptions only when they facilitate VA's research and/or education missions or are related to appropriate NPC business purposes?
- Yes No N/A 20. Does the NPC pay for professional memberships only when justified by gaining access to research-related subscriptions or reduced registration fees for scientific conferences or for NPC business purposes?
- Yes No N/A 21. Does the NPC have a Memorandum of Understanding (MOU) with the VAMC regarding reimbursing the medical services appropriation for clinical services provided purely for NPC research purposes?
- Yes No N/A 22. Does the NPC provide reimbursement to the VAMC as stated in the MOU?
- Yes No N/A 23. Are all investments held in instruments backed by the full faith and credit of the United States government?
- Yes No N/A 24. Are there approved written policies and procedures that document the purchase of investments and identify control procedures for these purchases?
- Yes No N/A 25. Are VA employees serving in their official duty on the NPC Board of Directors? VA employees cannot serve in their personal capacity. This is only for non-statutory Directors.

NPPO Response ONLY.

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