

**Internal Control Questionnaire
For Homeowners Associations**

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NOTE: This questionnaire has been simplified to address the internal controls most appropriate to a typical homeowners association. It is not intended to be comprehensive, and may not disclose all internal control weaknesses for all associations. If a specific engagement is more complex than usual, this questionnaire may need to be expanded to cover other areas such as fixed assets and marketable securities.

A "NO" response to any question indicates a possible internal control weakness.

It should be noted that a "no" answer in itself does not necessarily constitute a significant control weakness, because a specific weakness can often be offset by a mitigating strength.

If in doubt about the necessity of any procedure, discuss it with your CPA.

NAME OF ASSOCIATION: _____

FOR FISCAL YEAR ENDED: _____

No.	Internal Control Questions	Yes	No	N/A
	<p><u>General:</u> General controls are those that usually have only an indirect impact on the accounting system; their contribution to the system of internal control is to provide an environment that is conducive to the protection of assets. They include such things as a defined organizational structure, job descriptions for board members, and written policy and procedures manuals. It is easier to know what to do if it is written down somewhere!</p>			
A	<p><u>Organizational Structure</u></p>			
A-1	<p>Does the Board of Directors have a clear understanding of the duties, responsibilities, and authority of each member of the board?</p>			
A-2	<p>Does the Board have written job descriptions for each member of the Board?</p>			
A-3	<p>Does the Board have a written manual of policies and procedures?</p>			
A-4	<p>Does the Board record its decisions by maintaining accurate minutes of meetings of the Board and committees of the Board?</p>			

No.	Internal Control Questions	Yes	No	N/A
B	<u>Administration of Accounting Functions</u>			
B-1	<p>Does the Association have an accounting manual which describes the items to be included in each general ledger account?</p> <p>Note: lack of an accounting manual or defined chart of accounts can lead to inconsistent accounting treatment or misclassification of revenue and expenses from one period to the next. Misclassifications deter comparability from period to period, making it difficult for the Board to comprehend financial results and make meaningful comparisons of actual results to the budget.</p>			
B-2	Does the Board receive prompt internal financial reports at least quarterly?			
B-3	Does the Board regularly compare actual financial results to the budget and promptly investigate significant variations?			
B-4	Does the Board regularly obtain bids for services, and document its decision for accepting other than the lowest bid?			
C	<u>Protection of Physical Assets</u>			
	Note: physical assets refers to furniture, fixtures, and equipment, including common area components.			
C-1	Does the Association have adequate security to limit access to authorized persons? (Such security could include security guards, locks, chain length fences, etc.)			
C-2	Are physical assets, where possible, adequately sheltered to protect against unnecessary deterioration?			
C-3	<p>Are important computer files and programs backed up at an off-premise location?</p> <p>Note: off-premise backup of important files will protect the association from the cost of reconstruction in the event of fire, flood or other disaster.</p>			
C-4	Does the Association have adequate insurance coverage (including adequate fidelity bonds)?			

No.	Internal Control Questions	Yes	No	N/A
D	<u>Cash and Bank Accounts</u>			
D-1	<p>Are bank statements reconciled by someone with no other cash receipts and disbursements functions?</p> <p>Note: "other cash functions" above include making bank deposits, recording cash receipts, writing checks or approving checks for payment.</p>			
D-2	Does the bank reconciler receive the bank statement unopened (to prevent loss or alteration of reconciling items)?			
D-3	Does the bank reconciler compare details of paid checks with their entry in the cash disbursements journal?			
D-4	Does the bank reconciler examine paid checks for unauthorized signatures, alterations, or irregular endorsements?			
D-5	<p>Does the bank reconciler compare dates of deposits on bank statements with dates of entry in the cash receipts journal?</p> <p>Are checks that are outstanding for long periods of time (e.g., more than six months) reviewed for disposition?</p>			
D-6	Are completed bank reconciliations reviewed and approved by the Board of Directors?			

No.	Internal Control Questions	Yes	No	N/A
E	<u>Accounts Receivable</u>			
E-1	Are accounts receivable listings aged to identify seriously delinquent accounts?			
E-2	Are delinquent accounts pursued for collection in a timely manner?			
E-3	Does the Association have a written collection policy, and has it been sent to all members?			
E-4	Are liens filed in a timely manner to enhance collectibility of overdue accounts?			
E-5	Are bad debt write-offs reviewed and approved by the Board?			
E-6	Are member and other checks received by the Association restrictively endorsed (i.e., stamped "for deposit" to the Association) immediately after the mail is opened?			
E-6	Are cash receipts deposited intact, daily?			
E-7	If Association is on an accrual basis for internal bookkeeping, are subsidiary ledger accounts periodically reconciled to the general ledger?			

No.	Internal Control Questions	Yes	No	N/A
F	<u>Cash Disbursements</u>			
F-1	Does the Association use prenumbered checks and are they issued in numerical sequence?			
F-2	Are checks only prepared on the basis of a properly approved invoice or check request?			
F-3	Are invoices and bills from suppliers and vendors checked for mathematical accuracy and proper pricing prior to payment?			
F-4	Are invoices verified as to proper account classification in the Association's general ledger?			
F-5	Are invoices stamped "Paid", or perforated, or clearly marked in some way to prevent a duplicate payment?			
F-6	Do all operating checks require dual signatures, and is at least one of these the signature of a Board Member?			
F-7	Do all payments from reserve accounts require dual signatures including either two Board Members or one Board Member and one Officer?			
F-8	Does the Board Member who signs operating checks examine invoices or other supporting documentation at the time the checks are signed?			
F-9	Does the Board have a policy of never making checks payable to cash?			
F-10	Does the Board have a policy of never presigning blank checks?			
F-11	Are signed checks mailed without allowing them to return to the person who prepared them?			

No.	Internal Control Questions	Yes	No	N/A
G	<u>Payrolls:</u> Use this section only if the Association hires regular employees and maintains its own payrolls.			
G-1	<p>Do different people do the following:</p> <p>A. Approve hours worked as recorded on time cards?</p> <p>B. Prepare paychecks?</p> <p>C. Distribute paychecks?</p>			
G-2	Are adequate personnel records maintained, including employment applications, W-4 forms, performance reviews, and approvals for pay increases?			
G-3	Are written approvals required before someone can be added or deleted from the payroll?			
G-4	Are records maintained of available benefits, e.g., unused vacation, sick days, etc?			
G-5	Are the mechanics of payroll preparation rechecked and mathematical calculations verified? (This question contemplates manually prepared payroll checks and is generally not necessary for computerized payroll systems.)			