

**APPENDIX G
EXAMPLE QUESTIONS FOR INDIVIDUALS OR FOCUS GROUPS¹**

1. Design of the Processing Stream is Effective

- What documents or electronic files are necessary for you to perform your job? Who is the source of the documents? How do you access the electronic information?
- In what ways do you add to, combine or otherwise manipulate the information?
- What happens to the file or document when you're finished?
- When you discover errors, how do they get corrected?
- What checks do you perform on the information you use to make sure it is accurate?
- How do you know that you have received all of the transactions that you should receive?
- How do you make sure you have processed everything you received and that no transactions are accidentally omitted?
- When you're processing the information, what steps do you take to make sure that no errors are introduced into the system? Are controls built into the system itself?
- What signatures or other types of documentation are required before you process a transaction? How do you know that the transactions presented to you for processing are valid?

2. Control Procedures Operate Effectively

Consistency

- What kinds of situations do you encounter for which agency policies or procedures do not exist?
- How often to these kinds of situations occur?
- If you encountered a situation or transaction for which no written policy exists, what would you do? Can you describe a specific situation(s)?
- In what ways do written policies and procedures not make sense?
- How do you work around these policies? How often do you do this? If you were in charge, what changes in policies and procedures would you make to improve their efficiency?
- Although it might not be written, when is it "okay" to not follow written policies exactly? How do you know it is okay?
- Do you think that others in the agency with the same job functions as your perform the job in the same way? If differences exist, what are they? What causes these differences?
- Have you performed the procedures every day since the last annual evaluation of internal control effectiveness? Who took your place when you were not available to perform the procedures?
- Have there been any changes to the procedures since the last internal control evaluation?

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Qualifications of Personnel

- Do you feel adequately trained to perform your duties?

- If you could design the training for your position, what topics would you be sure to include? How did you learn these things? How long did it take you to learn these things? What else would you like to be trained in that would help you do your job better?

- Incompatible responsibilities exist when one individual is in a position where they must both process data (for example, prepare invoices and post them to the accounts receivable subledger) AND check their own work for errors AND no one else checks their work. Have you observed situations like that in your department?

Indirect questions:

- a. Suppose that someone was inclined to deliberately create an error in the reporting process, for example, by introducing a fictitious or unauthorized transaction. How would they do it without getting caught?

- b. Which company assets are most vulnerable to employee theft? How could these assets “disappear” without someone finding out?

3. Overall Assessment of Effectiveness of Internal Control System

- Overall, how effective are your control procedures at preventing or detecting and correcting errors? Consider the reliability of your system. If you had to give it a letter grade, what grade would you give it? What recommendations would you make to improve the system?

Indirect question:

- a. Suppose that you leave the agency, and shortly after you leave, you learn that there was a serious error in the financial information submitted to the State Controller’s Division at year end that pertains to your department. What would that error be? Why was it never detected?

¹ These questions were adapted from the example inquiries presented by Mr. Michael Ramos in his book entitled *How to Comply with Sarbanes-Oxley Section 404 – Assessing the Effectiveness of Internal Control*, John Wiley & Sons, Inc., Hoboken, NJ, 2004.