

TOOL

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Evaluation of Internal Control in the Deposit Cycle

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The following form provides a tool for readers from institutions that are mobilizing savings, primarily passbook accounts and fixed-term deposits, to use in determining whether or not they apply sufficient internal controls to manage the deposits. In order to do this, it is necessary to:

- Identify internal control objectives;
- Verify which internal controls the institution currently employs; and
- Determine which controls should be implemented going forward.

The tool identifies the elements that make up an adequate internal control structure, establishes internal control objectives, and lays out control procedures.

This tool lists the control procedures that should be implemented in an institution that administers savings services through the use of automated systems. For those institutions that do not have automated systems, the manual procedures indicated in the *Applied Controls* section under questions 1, 2, 3, 5, 9, 11, 14, 15, 16 should be evaluated and implemented.

The highlighted rows indicate the absolute minimum controls required for mobilizing savings.

The evaluation form consists of 16 questions. Readers should follow these instructions when filling out the form:

- a. Respond to each question using the answer options provided. Give only one answer per question.
- b. Total the score obtained in each column according to the following scoring table:

Daily (D)	= 5 points
Weekly (W)	= 3 points
Monthly (M)	= 2 points
Yes	= 5 points
No	= 0 points
- c. Calculate the total score by adding the scores obtained in each column.
- d. Find the total score in the ranges indicated on the last page.
- e. Analyze the results according to the guidance provided for the score you obtained.

PURPOSE OF CONTROL	APPLIED CONTROLS	No (0)	Yes (5)	D (5)	W (3)	M (2)
1. AUTHORIZATION	<p>Deposit operations are authorized before being entered into the system for processing.</p> <p>Answer options: Yes – No</p>					
2. AUTHORIZATION	<p>There is adequate separation of duties with regard to the persons who perform the evaluation, review, and accounting of deposit operations. If two of these activities are the responsibility of one person, the answer should be "No."</p> <p>Answer options: Yes – No</p>					
3. AUTHORIZATION	<p>To open an account, the institution requests a photocopy of a government-issued identification card of the client. All information is filled in on the account contract or certificate of deposit, including the client signature and staff confirmation of the signature.</p> <p>Answer options: Yes – No</p>					
4. ALL OPERATIONS	<p>Error reports are generated for transactions that are not processed; these are operations entered into the system that were not correctly updated or accepted for processing.</p> <p>Answer options: Weekly – Daily – Monthly – No</p>					
5. ALL OPERATIONS	<p>The closing of the cash accounts is performed through the issuance of cash listings and balancing the cash count. The total amount received in deposits according to the cash count (actual) is compared with the total amount entered into the cash system or cash journal.</p> <p>Answer options: Weekly – Daily – No</p>					

PURPOSE OF CONTROL	APPLIED CONTROLS	No (0)	Yes (5)	D (5)	W (3)	M (2)
6. TOTALITY AND PRECISION OF UPDATES	<p>Validations or reviews are performed to ensure that the term deposits paid out (paid in cash) are subtracted from the deposit system. Answer options: Weekly – Daily – Monthly – No</p> <p>Validations or reviews are performed to ensure that the term deposits paid out (in cash) are correctly subtracted from the accounting system. Answer options: Weekly – Daily – Monthly – No</p>					
7. TOTALITY AND PRECISION OF UPDATES	<p>The calculation of interest and adjustments is performed automatically. Answer options: Yes – No</p>					
8. TOTALITY AND PRECISION OF ACCUMULATED DATA	<p>Interest and adjustments for savings accounts are credited to the client's account in accordance with the terms of the account contract and with current rules and regulations. Answer options: Yes – No</p>					
9. TOTALITY AND PRECISION OF ACCUMULATED DATA	<p>Trial balances, bank reconciliations, and account reconciliations are performed and reviewed for all deposit transactions. Answer options: Weekly – Daily – Monthly – No</p>					
10. TOTALITY AND PRECISION OF ACCUMULATED DATA	<p>Registers or tables are generated with the maturity dates of all outstanding fixed-term deposits. Telephone calls are made to clients to renew or cash out fixed-term deposits that are set to mature in the near future. Answer options: Weekly – Daily – Monthly – No</p>					
11. TOTALITY AND PRECISION OF ACCUMULATED DATA						

PURPOSE OF CONTROL	APPLIED CONTROLS	No (0)	Yes (5)	D (5)	W (3)	M (2)
12. INTEGRITY OF INFORMATION	<p>Passwords are used to restrict access to automated deposit registers to specified users. Answer options: Yes – No</p>					
13. INTEGRITY OF INFORMATION	<p>The master files for deposits are reviewed in order to ensure that they are complete and up-to-date. Answer options: Weekly – Daily – Monthly – No</p>					
14. CUSTODY	<p>Certificates of deposit are held in a safe place, not accessible to the staff of the institution. Answer options: Yes – No</p>					
15. CUSTODY	<p>Account reconciliations are performed on all deposits and balances are verified. Answer options: Weekly – Daily – Monthly – No</p>					
16. CUSTODY	<p>Documents received for safekeeping are kept in a file cabinet, classified alphabetically, and are the responsibility of the Chief of Operations or the Treasurer. Answer options: Yes – No</p>					
SCORING		No	Yes	D	W	M
TOTAL OF EACH COLUMN						
CALCULATION OF TOTAL SCORE						
	<p><i>Maximum: 80 points</i> <i>Average: 40 points</i> <i>Minimum: 0 points</i></p>					

Analysis of Results

The score obtained represents a reference point for readers to use in determining the extent to which internal controls are applied in their own institutions. This form should enable readers to evaluate the importance and impact of the controls that are not applied. *In order to achieve an internal control system that is reasonable, although not fully sufficient, it is necessary to comply with at least the controls indicated in the highlighted sections.*

Score of 60 points or more

A score of 60 points or more means that the controls applied for the deposit cycle are ***sufficient***. In other words, the institution is in compliance with the objectives of internal control that guarantee adequate management and control of savings deposits. It is important for readers to analyze the reasons that any internal control objectives did not receive the maximum possible score, evaluate the impact this has on the institution, and make corrections or implement controls that would enable the institution obtain the maximum score.

Score between 40 and 60 points

A score between 40 and 60 points means that the internal controls applied for the deposit cycle are ***reasonable***. They are, however, ***insufficient*** and need to be improved. Each internal control objective listed in the first column should have at least one accompanying control procedure. The additional control procedures related to each objective should be implemented within a reasonable time period. Most of the procedures should be performed on a daily basis. Cash counts and reviews can be performed monthly. Readers should re-evaluate their institutions within a short time to see if the score has improved and take action as appropriate.

Score of less than 40 points

A score of less than 40 points means that the controls applied for the deposit cycle are ***deficient***. Readers should act now to establish internal control systems in their own institutions. All highlighted controls should be implemented as soon as possible to ensure adequate management of savings deposits. The remaining controls should be implemented within a reasonable time period. Readers should re-evaluate their institutions within a short time to see if the score has improved and take action as appropriate.