

Annex 3: Sample MCAT Tool

Pact, Inc. Management Control Assessment Tool (MCAT)

Name of Organization: _____
Date of Assessment: _____
Conducted by: _____

Assessment Scales

Risk Level Determination

Extremely High	0-20%
High	21-35%
Moderate High	36-50%
Moderately Low	71-85%
Low	86-100%

Rating

- N/A Not Applicable
- 1 Never/Definitive “no”
- 2 Rarely/Demonstrated capacity is limited
- 3 Sometimes/Capacity evident by lacking in critical areas
- 4 Usually/Adequate capacity in most areas
- 5 Often/Good with only minor improvements required
- 6 Always/Definitive “yes”/Strong capacity

Summary of Findings

Level of Risk:

Specific Findings

- a. Accounting Procedures:
- b. Internal Controls:
- c. Budgeting, Reporting, & Auditing:
- d. Policy Environment:

A. ACCOUNTING PROCEDURES	Rating
1. General System	
a. There is a written policy on accounting. It is objectively reasonable and universally applied	
b. "Cash" or "Accrual" system is defined and applied on a consistent basis	
2. Receipts and Handling of Cash	
a. Donations promised by not yet received by the organization are not included in the accounts until they are received	
b. Grants received, but not yet spent for the purposes for which they were given, are carried forward as restricted funds	
c. Procedures and responsibilities are clearly defined. For example, only the cashier is authorized to receive cash	
d. Prenumbered receipts bearing the name of the organization are issued for all cash receipts	
e. Unused receipt books are kept properly secured and there are proper procedures as regards their issue	
f. All cash received is recorded immediately and promptly banked	
g. There are adequate security arrangements as regards custody and transit of cash	
3. Recording	
a. All payments are supported by payment vouchers	
b. Vouchers are properly supported by adequate documentation and explanations. This documentation may include: local purchase order, quotations, invoices, receipts, correspondence, proof of delivery	
c. Vouchers together with supporting documentation are filed in the order in which they are entered in the cash book and can be readily found	
d. Documents are properly approved for payment and cancelled (i.e. stamped PAID) upon payment	
e. Payments are properly allocated to the correct account Bank Accounts	
f. All bank accounts are authorized and in the name of the organization	
g. All bank accounts are included in the accounts of the organization	
h. There is proper control over use and safekeeping of checks	
i. All checks are signed jointly by two of at least three signatories (one check signatory is someone other than the person who was authorized payment)	
j. No checks are signed in blank	
4. Bank Accounts	
a. The details of each check payments are recorded on the check counterfoil (or check stub)	
b. Bank reconciliations are prepared on a regular basis for example, at the end of each month	
c. Bank reconciliations are accurately prepared	
d. Bank reconciliations are checked and approved	
e. Outstanding items on bank reconciliations are followed up promptly and out of date items written off	

5. Cash Book(s)	
a. Cash book(s) are kept for all cash and bank transactions	
b. All entries are made in ink	
c. The cash book is written up to date	
d. Cash book additions and cross additions are correct	
6. Petty Cash Records	
a. Petty cash counts are carried out at intervals, two people being present (including the petty cashier), and the cash balance agreed to records	
b. There are no "IOU's", or similar payments, which are neither authorized nor entered in the cash book. <i>Note:</i> These may come to light when the cash reconciliation is controlled by a person other than the petty cashier.	
c. The petty cash impress (float) is established at a reasonable level	
d. Petty cash expenses are supported by adequate documentation	
e. The petty cash cook is checked when the cash float is replenished	
7. Ledger	
a. Postings of amounts from the cash book(s) to the accounts in the ledger are kept up to date	
b. An up-to-date <i>Chart of Accounts</i> together with account reference numbers is available	
c. The authorization of the executive director (or equivalent position) is required when it is proposed to open new accounts or close old ones	
d. Opening balances agree with prior year-end balances. Additions and posting to individual ledger accounts are correct	
8. Journal	
a. Transfers between one ledger account and another are recorded in a journal	
b. Transfers of amounts between one account and another are supported by a journal voucher, showing the reason for the transfer with supporting documentation where appropriate	
c. All journal entries are authorized by the finance director	
9. Trial Balance	
a. A trial balance is prepared within a reasonable time at the end of each month	
b. The trial balance accurately lists all account balances	
c. The trial balance is mathematically correct and the debits balance with the credits	
d. The trial balance agrees with the figures on the monthly financial report	
10. Accounts Payable	
a. Suitable records are maintained showing amounts due to suppliers	
b. These records are regularly reconciled to statements and accounts received from suppliers	

11. Payroll and Salary	
a. Adequate payroll records are kept	
b. Payroll records are accurate	
c. There are adequate procedures to ensure that pay is correctly calculated, adjustments being made where appropriate for unpaid leave, overtime, etc.	
d. The payroll is authorized and countersigned by the director	
e. Someone other than the person who prepares the payroll is responsible for paying out wages to employees	
f. Employees are required to sign for their pay	
g. Authorized salaries are recorded in the personnel records	
h. All payroll taxes and other deductions are properly calculated in accordance with local regulations	
i. Payroll taxes and other withholdings are paid over to relevant government departments on time	
12. Assets and Liabilities	
a. An up-to-date fixed assets register is maintained	
b. The fixed assets inventory is complete and regularly checked by management	
c. The fixed assets listed actually exist	
d. Additions and disposals of assets are authorized and properly recorded in the accounts	
e. There is adequate insurance cover for all assets	
f. Assets are kept in suitable and secure locations	
g. Donated assets are properly valued and recorded	
B. INTERNAL CONTROLS	
1. Approve Controls	
a. Specific transactions are approved by persons having the authority to do so in accordance with established policies and procedures	
b. Key records are matched before a transaction is approved (matching purchase order, receiving report and vendor invoice before the invoice is approved for payment)	
2. Segregation of Duties	
a. The individual responsible for the cash receipt function does not sign checks or reconcile the bank accounts, and is not responsible for noncash accounting records such as accounts receivable, the general ledger for the general journal	
b. The person receiving cash does not have the authority to sign checks and reconcile bank accounts and does not have access to accounting records other than cash receipts	
c. Different individuals are responsible for purchasing merchandizing or services, receiving merchandise or services and approving vouchers	
d. Different persons prepare checks, sign checks, reconcile bank accounts and have access to cash receipts	

3. Design and Use of Records	
a. Pre-numbered forms are used to record all of an organization's transactions, and accountability is maintained for the sequence of all numbers used	
b. Receiving reports, inspection documents, etc. are matched with billing notices or other documents used to record delivered orders and related liability to provide assurance that only valid transactions are recorded	
c. Transaction documents, such as vendor invoices and shipping documents, are date stamped and tracked to ensure that they are recorded on a timely basis	
d. Source documents are canceled after processing to provide assurance that the same documents will not be reused and will not result in recording transactions more than once. Also, only original documents are used to process transactions	
4. Safeguards over assets and records	
a. Cash receipt totals are recorded before cash is transmitted to deposit	
b. Secured facilities are used when appropriate, and access to critical forms and equipment is limited to authorized personnel	
c. Procedures are established to provide reasonable assurance that current files can be recovered in the event of a computer failure	
5. Independence checks	
a. Extensions, additions and accounting classifications are independently reviewed	
b. Assets on hand are periodically inspected and counted, and the results are compared with asset records	
c. Management reviews and acts upon performance reports	
d. Actual operating results are compared with approved budgets, and variances are explained	
e. Insurance cover of stores is adequate	
C. BUDGETING, REPORTING, AUDITING	
1. Budgeting and Reporting	
a. Long-term and annual financial projections for the organization are prepared	
b. Budget approval authority is described in policy documents	
c. Grant/Contract conditions are communicated to all interested parties	
d. Cash flow (Income/Expense) is integral to financial plan	
e. Monthly financial statements are compared to approved budgets and material variances are addressed	
f. Summarized monthly	
g. Tie directly to established set of accounting records	
h. Communicated with key management staff within reasonable time	
i. Summarized accounts are distributed to interested parties	

2. Auditing	
a. Audit contract(s) are clear in scope/program and authority	
b. Auditing findings are addressed as standard practice	
c. Project auditors are appropriately qualified	
d. Project auditors are properly independent of the functions which they are auditing	
e. Project auditors visit project/end-use sites on a test basis	
f. Project audit reports are issued within a reasonable time following each project audit (e.g. 1 month)	
g. Project audit reports are adequately followed up // A separate file is maintained for each project audit performed	
h. Work papers are signed and dated by the auditor	
i. Audit staff are not involved in project management	
j. An independent professional audit of the annual accounts is arranged each year	
k. The management committee and governing body consider the report and recommendations of the auditor at the meeting when the annual accounts are discussed	
l. Recommendations from previous audit reports are followed up	
D. POLICY ENVIRONMENT	
1. Ethics	
a. There is a written employment policy. It is objectively reasonable and universally applied. Policy and practice demonstrate attention to prohibition of nepotism or favoritism through processes of:	
b. Employment of new staff	
c. Review of staff performance with a view to promotion or increase in salary	
d. Dismissal of staff for whatever reason	
e. Policy and practice dictate that employees are not permitted to hold office or positions in other companies or bodies with which the organization has contractual relationships	
f. A "Conflict of Interest" clause, especially in relation to project management or business transactions, is a documented policy	
g. Policy prohibits absolutely any illegal dealings on behalf of itself or other parties	
h. The organization has an environmental policy	
i. There is no evidence of instances of misuse of the assets of the organization by employees	
j. There is no evidence of instances of employees being involved in their own private enterprise during office hours	
k. Policy encourage staff, through clear and confidential mechanisms, to report any practices or deals which do not conform to generally accepted ethical standards	
l. Policy as well as general constitution, both written and unwritten, encourage high moral thinking and conduct	

2. Organizational Policy	
a. Documented policies establish events or transactions that the organization is authorized to engage in by law, regulation or management policy	
b. Documented policies and procedures exist for processing transactions in accordance with laws, regulations or management policy	
3. Personnel Policy & Management	
a. The management has a list of all staff employed	
b. Each new employee is interviewed before s/he is employed	
c. References are required and followed up	
d. A Contract of Employment in writing is prepared for each employee (before commencing employment)	
e. Written Job Descriptions are prepared for each employee, showing what each person is expected to do, when it should be done and to whom they are accountable	
f. A personal file is kept for each employee, with details of salary and other personal matters	
g. Salary rates (and any changes to these) are agreed by the management committee and the details recorded in the minute book	
h. The organization has written internal regulations covering such matters as hours of work, holiday, sick leave, discipline, dismissals, etc.	
i. Employees show with whom they can discuss any work or personal problems	
j. Adequate and appropriate financial provision is made for pensions and/or gratuities for retiring employees	
4. Travel/Transport Policy & Management	
a. The organization has a travel policy and applies it on a consistent basis	
b. Travel financial support for staff, both domestic as well as regional/international is clear in policy and practice	
c. Mechanisms exist for reporting and liquidating travel expenses	
d. The number of vehicles is reasonable given the size and requirements of the organization	
e. A vehicle register exists, showing cost, date of purchase and estimated date of replacement	
f. Vehicles are garaged in a safe place	
<i>The use of vehicle is properly controlled:</i>	
g. use is limited to the business of the project	
h. use is limited to employees of the project	
i. the users of vehicles maintain the vehicle log book, showing date, journey details, kilometers at start and end	
j. users report any vehicle faults to the manager	

k. There are no circumstances when project vehicles are used for private purposes by staff or other persons	
l. If the answer to the previous question is “NO”, the circumstances and conditions of private usage are clearly indicated in the office regulations	
<i>The purchase of petrol is properly controlled:</i>	
m. Purchases are made only by authorized persons, from authorized suppliers	
n. A record is kept each time fuel is purchased	
o. A control is kept of fuel consumption for each vehicle	
5. Property Policy & Management	
a. The organization has suitable premises to accommodate the staff and to carry out its activities	
b. If the organization owns land or building: the title deeds are legally registered, and kept in a secure place	
c. Leases (tenancy agreements) have been prepared for all property rented to or from the organization	
d. Someone has been nominated as responsible for the proper maintenance of all property	
e. Adequate insurance has been taken out against fire, burglary, public liabilities, etc.	
f. Records are kept of agreements with persons using premises owned by the organization, including rent payable, etc.	