



## COVID-19 Internal Controls Assessment Questionnaire

### How have COVID-19 driven changes in businesses processes impacted internal control over financial reporting (ICFR)?

**Purpose:** As a result of the COVID-19 pandemic and the resulting economic and operational effects, companies have been required to react quickly to changes in business practices including office closures, reductions in staffing, absenteeism due to illness or family caregiver priorities, business contractions, collectability issues, etc. The purpose of this questionnaire is to assist the board of directors and management in assessing the impact of changes in ICFR brought about by the impact of COVID-19.

**Note for public companies:** Public companies are required to report any change in ICFR that occurred during each quarter (including the last fiscal quarter of the year) that has materially affected, or is reasonably likely to materially affect, the company’s ICFR in compliance with SEC S-X Item 308(c). Changes in ICFR that meet the requirement, or a statement to the effect that no such changes have occurred, are disclosed in Part 1, Item 4 of a 10-Q and Part II, Item 9A in a 10-K, in the case of the last fiscal quarter of the year. Such disclosures require management to make an assessment each quarter of any changes in ICFR to determine if any changes in ICFR are reasonably likely to materially affect, the company’s internal control over financial reporting.

The following questions are primarily for management; however, the audit committee, or equivalent, may also use this in their oversight role. Considering these questions should help identify what changes have been implemented as a result of COVID-19 and how they may have they impacted ICFR.

Topic - Questions	Yes	No	Follow-up
<b>A. Revenues (ASC 606)</b>			
1. Have there been any changes in customer contracts (written, oral or implied), including temporary concessions, modifications, rights of return or cancellation privileges and extended terms?			
a. How are these communicated to accounting on a timely basis to determine ASC 606 considerations?			
2. Do any COVID-19 related changes require adjustments to variable consideration estimates or over-time revenue recognition determinations?			
3. What is the process for assessing that the terms of a contract are adequately met, including that collectability is probable?			
4. If the company has been unable or is projected to be unable to meet its contractual delivery obligations have any contracts become onerous?			
a. Have penalty or warranty provisions been considered?			
5. If the company issues any manual or paper billings, how are such billings printed and mailed on a timely basis without jeopardizing the health of employees or violating shelter in place directives?			

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*ICFR Tip-* Companies should implement procedures to identify any impromptu, informal, temporary or verbal changes in sales practices such that changes can be identified for accounting and disclosure purposes.

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Topic - Questions	Yes	No	Follow-up
<b>B. Expenditures and Disbursements</b>			
1. Have there been any changes to purchasing policies and procedures, including approvals and bidding processes?			
2. Have supply chain disruptions required the company to seek alternative sources or enter into emergency purchases that may not follow established purchase guidelines?			
a. Does the current process for month end accruals and vendor Masterfile updates incorporate processes to account for such purchases?			
3. Are there any purchase or disbursement documents requiring approvals that are outside of the company's automated workflow system (paper documents)?			
a. Are processes in place for mail collection and dissemination?			
b. How are such paper documents and all required supporting documents (complete package) transmitted to (and transmitted from) approvers and/or reviewers that may be working from home?			
4. Have all staffing reductions, office, store, warehouse or other closures, and regulatory changes been communicated for accounting and disclosure considerations?			
a. Are any staffing level changes or closures considered to be permanent (may require different accounting and disclosure treatment)?			
b. Have there been any other changes in payroll amounts, benefits, share based payments, etc. that may require special accounting consideration?			
c. Has the company considered the impacts of pay cuts or pay suspensions and COVID-19 related changes in projected company performance on bonus accruals, share based payment awards or other employee benefits that may be based on salaries or company performance targets?			
5. Does the company have new vendor relationships where aspects of ICFR are now outsourced or co-sourced?			
a. Has the company conducted adequate due diligence in concluding upon their ethics, competency and accountability?			
b. Has the company requested a SOC-1, type 2 attestation report from them?			
c. Who reviews the SOC-1, type 2 reports and are they adequately concluding upon noted deficiencies and suggested user controls?			

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*ICFR Tip-* For some companies, a virtual workforce or reductions in staffing may increase fraud risk in disbursement and/or vendor master file policies and procedures. Companies should consider stress tests of anti-fraud controls where any processes have an increased risk of fraud.

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Topic - Questions	Yes	No	Follow-up
<b>C. Cash and Cash Management</b>			
1. Have changes in personnel (due to illness, staff reductions or staff working from home) required any changes in review and approval of ACH or wire transfer procedures?			
a. If the company requires person-to-person (bank personnel or company personnel) approval of non-standard wire transfers, how has the company adapted to COVID-19 changes?			
2. If treasury personnel or other staff have been granted remote access (i.e. home-based access) to company bank accounts, do bank access security protocols consider the possibility that home computers or home networks may be compromised?			



a. Are similar protocols in place for ALL bank and investment accounts, including accounts that are at smaller banks, remote locations or accounts that are infrequently used or accessed?			
3. Are bank reconciliation procedures and reconciliation approvals continued to be performed on a timely basis?			
4. Have changes in personnel (due to illness, staff reductions or staff working from home) required changes in cash collection and processing procedures (for example, who opens mail or have bank lockbox notifications changed due to COVID-19 bank personnel changes?)			
5. Some companies have drawn against lines of credit and made other measures to conserve cash. Have there been any changes in investment policies and procedures, including cash movements between accounts?			

Topic - Questions	Yes	No	Follow-up
<b>D. Accounts Receivables and Collections</b>			
1. Have company collections personnel been given authority to grant individual concessions on payment terms or other modifications on payments and are there processes in place to properly record and monitor such concessions?			
2. Due to the speed in which COVID-19 has impacted the economy, some companies may consider modifying its assessment of allowance for doubtful accounts from primarily a historical lookback experience model to a model similar to the new CECL model. Has the company changed its methodology for assessing its allowance for doubtful accounts and, if so, have changes in control procedures been documented and communicated?			

Topic - Questions	Yes	No	Follow-up
<b>E. Fair Value Measurements (ASC 820)</b>			
1. Have there been any changes in policies and procedures surrounding fair value measurements, including management judgements?			
a. If there have been significant decreases in the volume or level of activity in the marketplace, have alternative valuation techniques been adopted?			
2. Has the company considered the impact of any changes on disclosure such as level 1, 2 or 3?			
3. Is the review of the determinations of fair value, as well as the judgements applied, been subject to timely management review?			

Topic - Questions	Yes	No	Follow-up
<b>F. Assets and Asset Impairments, including Goodwill:</b>			
1. Have any capital expenditure projects (including IT related projects) been modified, delayed or cancelled and have the cancellations been communicated to accounting for proper recording and disclosure?			
2. In response to COVID-19 business and economic uncertainty, has the company properly evaluated inventory for slow-moving or obsolete inventory and assessed lower of cost or net realizable value considerations?			
3. Assets are required to be assessed for impairment whenever events or circumstances indicate that an impairment has occurred. Even though goodwill is required to be assessed for impairment annually, events or circumstances may require a goodwill impairment assessment more frequently. Has the company considered events and circumstances that may require impairment tests?			
4. Does the company follow the correct order for impairments as follows?			



a. Non-fixed assets such as inventory (ASC 330), and capitalized costs to obtain or fulfill a revenue contract (ASC 310)			
b. Indefinite-lived intangible assets other than goodwill such as certain trademarks and acquired in-process research and development (ASC 350-30)			
c. Long-lived assets such as PP&E, finite-lived intangible assets and right-of-use assets (ASC 360-10)			
d. Goodwill (ASC 350-20)			
5. Have there been any changes in processes, procedures and judgements made in impairment analysis, or review procedures?			

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*ICFR Tip-* A lessee’s right-to-use asset, or ROU asset (lease accounting) is subject to the same asset impairment guidance as property plant and equipment. Changes in the way leased assets or facilities are used or changes in economic circumstances due to COVID-19 may require an impairment review of certain ROU assets.

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Topic - Questions	Yes	No	Follow-up
<b>G. Deferred Tax Assets (ASC 740-10-30)</b>			
1. Has the company considered how changes associated with COVID-19 has impacted decisions and judgements regarding deferred tax assets (DTA) valuation allowances and interim disclosures?			
2. Has the company made operational or other changes or is considering measures that could have an impact on DTA valuation allowances?			
a. Are we such changes communicated to those responsible for assessing the DTA valuation allowance?			

Topic - Questions	Yes	No	Follow-up
<b>H. Payables and Other Liabilities</b>			
1. If the company has modified payment terms on its payable obligations or has negotiated any changes, have the modifications or changes been communicated to accounting and financial reporting?			
2. Has the company made any changes in personnel, pay rates, PTO or other employee benefits, applied for and/or received governmental tax concessions, or other COVID-19 related changes and have such changes been properly communicated to accounting and financial reporting for PTO and payroll accruals?			

Topic - Questions	Yes	No	Follow-up
<b>I. Debt</b>			
1. Has the Company negotiated new or modified existing loan agreements?			
2. Has the company considered the COVID-19 impact on debt covenant calculations? Debt covenant calculations that use historical rolling averages may not reflect the full impact of an economic slow-down until subsequent periods.			
a. Has the company considered the future impact and the likelihood of any violations?			



Topic - Questions	Yes	No	Follow-up
<b>J. Subsequent Events (ASC 855)</b>			
1. Are processes adequate for assessing necessary information to conclude if subsequent events, either about conditions that existed at the date of the balance sheet or subsequent events?			
2. Are subsequent events properly vetted for disclosure, including at the board level?			

Topic - Questions	Yes	No	Follow-up
<b>K. Going Concern (ASC 205-40)</b>			
1. Has the company's processes for assessing going concern been updated to reflect the company's most recent projections and business plans, including controls pertaining to?			
a. Harvesting sufficient, accurate and timely information			
b. Evaluations and forecasts			
c. Documenting assumptions and conclusions			

Topic - Questions	Yes	No	Follow-up
<b>L. Increased Risks of Fraud</b>			
1. Has the company considered new opportunities, pressures and rationalizations?			
2. What significant changes have occurred regarding the new technologies to enable virtual workplaces and work flows, and what are the associated data breach and cybersecurity risks?			
3. Is the company properly aggressively promoting the fraud hotline?			
a. If a fraud hotline does not exist, how does the company allow people to voice their concerns?			

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*ICFR Tip-* COVID-19 changes and economic impacts have elevated fraud risks for many enterprises. Employees may feel heightened financial stress due to pay reductions, or a spouse that has been furloughed. Management may feel increased pressure to meet financial reporting targets. During periods of economic uncertainty, management should increase awareness anti-fraud controls and may consider implementing scenario based stress tests of key anti-fraud controls.

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Topic - Questions	Yes	No	Follow-up
<b>M. Updating IT Security Controls in light of COVID-19</b>			
1. Has IT personnel considered the security risks associated with the use of home-based networks for access to company systems?			
a. If home routers are compromised, how does that impact company IT systems?			
2. Are procedures in place to provide updated and current internet security for any remote computer setup?			
3. Are security protocols maintained for any company bank account access points?			
4. Has the COVID-19 altered the company's cybersecurity risk management program?			
a. Are all relevant controls owners aware of the changes?			
b. Are all relevant controls owners properly trained on the changes?			



Topic - Questions	Yes	No	Follow-up
<b>N. Accounting Close Process Changes in Response to COVID-19</b>			
1. Are managers and supervisors providing proper oversight with control owners that are working remotely?			
2. Are there any key control owners that are or will be unavailable during the closing process?			
3. How are changes in process and controls documented?			
4. How have changes impacted the company's closing timeline and the operation of key controls?			
a. Are key financial reporting processes and controls operating on a timely basis?			
5. What new or enhanced risks result from changes in our accounting close process?			
6. If the company had a disclosure controls meeting as part of its regular closing process, are such meeting continued and are relevant parties in attendance?			
7. How is information communicated to those charged with financial reporting that are required to be disclosed to investors?			

Topic - Questions	Yes	No	Follow-up
<b>O. Leases and Other Contracts</b>			
1. Have any Force Majeure clauses been triggered?			
2. Have any lease concessions been granted or other amendments of terms, either informally or formally?			
a. What is the process for communicating any lease concessions to accounting for proper recording and disclosure?			
3. Have there been any significant events or changes in circumstances requiring lease reassessment?			