

## Chapter 7 Trustee Internal Control Questionnaire

**Instructions for the trustee:** The purpose of the Internal Control Questionnaire (ICQ) is to provide the United States Trustee with an understanding of the internal controls and financial record keeping and reporting procedures implemented by the chapter 7 trustee. Please complete and return the ICQ to this office by \_\_\_\_\_. A yes response does not require a comment (unless otherwise indicated). A no response requires a thorough comment in the space provided next to the question (additional pages may be attached, as necessary). If you have not yet encountered the situation described, please indicate how you would handle the situation if it comes up in the future. References to “you” or “trustee” refer to the chapter 7 trustee personally. References to “staff” or “employees” include independent contractors. Where possible, references to the Handbook for Chapter 7 Trustees are shown in parentheses. This questionnaire may be downloaded from the Program’s web site: [http://www.justice.gov/ust/eo/private\\_trustee/library/chapter07/index.htm](http://www.justice.gov/ust/eo/private_trustee/library/chapter07/index.htm).

### I. General Information

Trustee name: \_\_\_\_\_ Other profession (if any): \_\_\_\_\_

Staff who perform cash handling and record keeping duties for your chapter 7 trustee operation:

_____	_____
_____	_____
_____	_____

### II. System of Internal Controls

Y = YES N = NO		Y	N
A	<b>Segregation of Duties</b> If you do not have any employees or independent contractors, indicate here: ____, and skip to section B		
1	Do you actively supervise all employees and independent contractors who perform chapter 7 duties? ( <i>Handbook Chapters 5.B and 5.C</i> ) <b>If no, explain:</b>		
2	a) Do you and your employees work in the same location? ( <i>Handbook Chapter 5.B</i> )		
	b) If no, where else are your employees located:		
3	Briefly describe the controls in place to handle receipts, disbursements, and other matters when you or a key staff person are away from the office (for example, how do you ensure that deposits are timely made while you or the person who makes the deposits are out of town):		

## Segregation of Duties Matrix

	Duties	Responsible Persons				Remarks
		Trustee				
	<b>Initials:</b>					
a	Receives mail					
b	Opens mail					
c	Endorses checks for deposit only					
d	Records receipts in receipts log					
e	Post receipts to Form 2					
f	Prepares deposits					
g	Mails or makes deposits at the bank					
h	Compares, on a test basis, receipts log to bank statements*					
i	Prepares disbursements					
j	Posts disbursements to Form 2					
k	Reviews supporting documents*					
l	Authorizes disbursements*					
m	Has custody of blank check stock					
n	Signs checks*					
o	Mails checks					
p	Receives unopened bank statements*					
q	Reviews bank statements					
r	Opens bank accounts					
s	Closes bank accounts					
t	Authorizes bank fund transfers					
u	Requests stop payments					
v	Authorizes stop payments*					
w	Verifies payee information on stop payment and re-issues check					
x	Prepares bank reconciliations					
y	Reviews bank reconciliations*					
z	Prepares Forms 1, 2, and 3					
aa	Has access to case management system					

\* These duties must be performed by the trustee. (Handbook Chapter 5.B)

### Instructions for completing the Segregation of Duties Matrix:

Use a checkmark to indicate who performs each of the listed duties. Use the first column for yourself and the second column for the person who is your primary assistant. If more than one person performs the same duty, check as many boxes as apply, and indicate in the Remarks column who has the primary responsibility for the task.

	Y = YES N = NO	Y	N
<b>B</b>	<b>Banking</b>		
1	List below all banks holding estate funds for your chapter 7 bankruptcy cases:  <i>(For reference, see Handbook Chapter 5.E)</i>		
2	Have you established password or access controls such that only you or, at most, one authorized employee can electronically open and close the accounts and access or transfer funds between accounts within the same estate? <i>(Handbook Chapter 5.E.6)</i> <b>If no, comment:</b>		
3	Do you or your staff open estate bank accounts as soon as funds are received? <i>(Handbook Chapter 5.E)</i> <b>If no, comment:</b>		
4	Do you or your staff obtain federal tax identification numbers before opening estate bank accounts for cases filed by individuals? <i>(Handbook Chapter 5.E.2)</i> <b>If no, comment:</b>		
5	Do you ensure that estate bank accounts are promptly closed after the bank account has a zero balance and the TDR has been filed? <i>(Handbook Chapter 5.E.6)</i> <b>If no, comment:</b>		
6	Do you have procedures for monitoring bank balances and appropriate bond amounts, and do you promptly notify the United States Trustee when a large (i.e., \$250,000 or more) amount of funds will be received? <i>(Handbook Chapter 5.E.4)</i> <b>If no, comment:</b>		
7	Are all bank statement, deposit slip, and check captions readily identifiable as pertaining to bankruptcy estate accounts, and do the words “Debtor” and “Trustee” appear, unabbreviated, in the captions? <i>(Handbook Chapter 5.E.3)</i> <b>If no, comment:</b>		
8	Do checks contain the statement, “Void if Not Cashed in 90 Days”? <i>(Handbook Chapter 5.E.3)</i> <b>If no, comment:</b>		
9	Where are deposit slips and blank check stock kept and who has access? <i>(Handbook Chapters 5.E.3 and 5.G.5.a)</i>		
10	Do you ensure that all estate checks are consecutively numbered, that each account within an estate has a unique numerical check sequence, and that the manual and computer checks used within a single account also have a unique numerical sequence (i.e., no duplicate check numbers)? <i>(Handbook Chapter 5.E.3)</i> <b>If no, comment:</b>		
11	Do you promptly void starter checks when no longer needed? <i>(Handbook 5.F.1.e)</i> <b>If no, comment:</b>		

	Y = YES N = NO	Y	N
12	<p>If blank check stock is pre-printed with the bank's logo and MICR (bank check clearing) data:</p> <p>a) Does the check stock contain a control number<sup>1</sup> that enables you and your staff to track check usage and detect gaps in the sequence? (<i>Handbook Chapter 5.E.3</i>) <b>If no, comment:</b></p>		
	<p>b) If blank checks have a preprinted sequential control number, do you and your staff maintain a control log that indicates the control number and bankruptcy case name and number for each check used? (<i>Handbook Chapter 5.E.3</i>) <b>If no, comment:</b></p>		
	<p>c) Are the printer alignment checks and checks damaged during the printing process voided and kept with the check control log? (<i>Handbook Chapter 5.F.4</i>) <b>If no, comment:</b></p>		
13	<p>Are unopened bank statements given directly to you, upon receipt, by the person who receives or picks up incoming mail? (<i>Handbook Chapter 5.B</i>) <b>If no, comment:</b></p>		
14	<p>Do you review the bank statements and canceled checks within ten days of receipt for unauthorized deposits or withdrawals, alterations, or unusual endorsements? (<i>Handbook Chapter 5.B</i>) <b>If no, comment:</b></p>		
15	<p>a) If a canceled check image is illegible, do you request the bank to provide a clearer image or a substitute check? (<i>Handbook Chapter 5.B</i>) <b>If no, comment:</b></p>		
	<p>b) Have you notified the bank to not accept ACH transactions or EFTs without your approval? (<i>Handbook Chapter 5.F.2</i>) <b>If no, comment:</b></p> <p>See Handbook Chapter 5.F.2 for permitted ACH and EFT transactions.</p>		
	<p>c) Do you notify the bank of errors and discrepancies within 30 days of receiving the bank statements? (<i>Handbook Chapter 5.B</i>) <b>If no, comment:</b></p>		
16	<p>Are bank reconciliations prepared before the end of the following month, using procedures that conform to the Handbook requirements? (<i>Handbook Chapter 5.E.5</i>) <b>If no, comment:</b></p>		
17	<p>Do you or your staff promptly follow-up on reconciling items detected during the bank reconciliation process? (<i>Handbook Chapter 5.E.5</i>) <b>If no, comment:</b></p>		

<sup>1</sup> If the computer check stock is completely blank (i.e., no bank logo or MICR data), control numbers are not required. However, this type of check stock should still be kept in a locked or secure area, because the special paper can be used to create fraudulent checks.

	Y = YES N = NO	Y	N
18	Are bank reconciliations maintained in hard (paper) copies and are summary reconciliations, if prepared, maintained for a minimum of four years? ( <i>Handbook Chapter 5.G.5.b(2) and (4)</i> ) <b>If no, comment:</b>		
19	Are income tax withholdings, if incurred, promptly reversed? ( <i>See Handbook Chapter 5.E.2</i> ) <b>If no, comment:</b>		
<b>C</b>	<b>Receipts</b>		
1	Are payers instructed to make checks payable to “Janine Doe, Trustee” or to the “Estate of _____”? ( <i>Handbook Chapter 5.D</i> ) <b>If no, comment:</b>		
<b>Cash Receipts Log</b>			
2	a) Do you and your staff maintain a separate cash <sup>2</sup> receipts log for <u>all</u> incoming chapter 7 receipts (except wire transfers)?( <i>Handbook Chapter 5.D.1</i> )		
	b) Are receipts immediately entered in the log by the person who opens the mail and restrictively endorses the checks? ( <i>Handbook Chapter 5.D.1</i> )		
	c) Does the log comply with the Handbook requirements set forth in Handbook Chapter 5.D.1?		
	d) Do you compare the cash receipts log to bank statements on a test basis and annotate the log as evidence of your review? ( <i>Handbook Chapter 5.B</i> ) (Note: Annotations may be handwritten or electronic.)  <b>If no for any question, comment:</b>		
<b>Other Controls over Receipts</b>			
3	In general, are all funds deposited to estate accounts <sup>3</sup> as soon as possible after receipt (generally mailed or taken to the bank within two business days)? ( <i>Handbook Chapters 5.D.2 and 5.E; see 5.D.3 and 5.D.4 for exceptions.</i> ) <b>If no, comment:</b>		
4	Where are funds stored until they are deposited or returned to the payer? ( <i>Handbook Chapters 5.D.2 and 5.D.4</i> )		
5	If currency is received, do you follow the procedures described in <i>Handbook Chapter 5.D.2.d</i> (e.g., convert cash to money order, etc.)? <b>If no, comment:</b>		
6	Are earnest monies and settlement proceeds handled in accordance with the procedures described in <i>Handbook Chapter 5.D.3</i> ? <b>If no, comment:</b>		

<sup>2</sup> As used herein, the term “cash” may include currency, checks (including money orders), certificates of deposit, treasury bills, and other negotiable instruments.

<sup>3</sup> Under no circumstances may estate funds, including currency, be aggregated or commingled, or deposited to the trustee’s business, personal or law firm trust accounts. (See Handbook Chapters 5.D, 5.D.2 (currency), and 5.D.3 (earnest monies)).

	Y = YES N = NO	Y	N
7	a) If funds cannot or should not be deposited immediately, are they recorded in the cash receipts log? ( <i>Handbook Chapter 5.D.3 and 5.D.4</i> )		
	b) Is the disposition of the funds resolved within 30 days after receipt of the funds or within 21 days after the entry of a final order regarding the funds?		
	Is the final disposition of the funds recorded in the cash receipts log (e.g., date and reason turned over to debtor or another party)?  <b>If no for any question, comment:</b>		
8	What procedures do you have in place to detect mis-deposited funds?		
9	a) In general, do you deposit estate funds directly into an interest bearing account, unless circumstances, such as those described in Handbook Chapter 5.E.1.c, warrant keeping funds in a non-interest bearing account? ( <i>Handbook Chapter 5.E.1</i> )		
	b) Are estate funds kept in an interest-bearing account until you are ready to distribute the funds to creditors, in accordance with local UST policy and the Handbook? ( <i>Handbook Chapter 4.J.1</i> )		
	c) If an estate has substantial funds that are going to be on hand for an extended period of time, do you consider higher yield investments such as Certificates of Deposit? ( <i>Handbook 5.E.1.b</i> )  <b>If no for any question, comment:</b>		
10	Do you have a pre-numbered, duplicate receipt book for payers who request a receipt or for debtors or payers who wish to turnover cash? ( <i>Handbook Chapters 5.A and 5.D.2.d</i> ) <b>If no, comment:</b>		
11	As a fraud prevention measure, do you monitor NSF checks until resolved or collected? ( <i>Handbook Chapter 5.D</i> ) <b>If no, comment:</b>		
12	Are copies of the incoming checks (or other instruments) kept together with the other supporting documents (e.g., deposit slips, transmittal letters, sale orders or notices, reports of sale, settlement documents) in the appropriate estate file (for asset cases) or with the cash receipts log (for non-estate funds and no-asset cases)? ( <i>Handbook Chapters 5.D.2, 5.D.4, and 5.D.5</i> ) <b>If no, comment:</b>		
13	Are receipts posted to Form 2 contemporaneously with the deposit of the funds? ( <i>Handbook Chapter 5.A and Supplementary Materials</i> ) <b>If no, comment:</b>		

<b>D</b>	<b>Disbursements</b>		
1	Are all disbursements by estate check, except where wire transfers, cashier's checks, and electronic funds transfers are permitted? ( <i>Handbook Chapter 5.F.1.a. See Handbook Chapter 5.F.2 for limited exceptions.</i> ) <b>If no, comment:</b>		
2	Do <u>you</u> personally sign all checks, except when the United States Trustee has authorized the use of a signature stamp? ( <i>Handbook Chapter 5.F.1.b</i> ) <b>If no, comment:</b>		
3	a) Is there a stamp with your facsimile signature maintained in your office?		
	b) If yes, do <u>you</u> maintain sole control of it and secure it when not in use? ( <i>Handbook 5.F.1.b</i> ) <b>If no, comment:</b>		
4	Do you ensure that all checks are made out to a specific payee, and not payable to "cash," "bearer" or "currency"? ( <i>Handbook Chapter 5.F.1</i> ) <b>If no, comment:</b>		
5	Do you review supporting documentation (orders, invoices) for each disbursement and record your approval thereon? ( <i>Handbook Chapters 5.F.1 and 5.F.3</i> ) <b>If no, comment:</b>		
6	a) Do you ensure that you have a court order, when appropriate, prior to disbursing funds? ( <i>Handbook Chapters 4.C.10, 4.J.2 and 5.F.3</i> )		
	b) Do you ensure that final disbursement checks are sent out only after the proposed distribution is approved by the United States Trustee and any required court orders have been entered? ( <i>Handbook Chapters 4.J.1 and 4.J.2</i> )		
	c) Are payments made to creditors before trustee compensation and expenses are paid? ( <i>Handbook Chapter 4.J.2</i> )  <b>If no for any question, comment:</b>		
7	Is supporting documentation for each disbursement maintained in the estate file? ( <i>Handbook Chapters 5.F.1 through 5.F.3 and 5.G.5</i> ) <b>If no, comment:</b>		
8	As a fraud prevention measure, do you or your staff void checks outstanding more than 90 days and promptly request stop payments? ( <i>Handbook Chapter 5.F.4</i> ) <b>If no, comment:</b>		
9	Are stop payments and checks returned by the post office as undeliverable handled by someone not involved with the initial check preparation and authorization? ( <i>Handbook Chapter 5.F.4</i> ) <b>If no, comment:</b>		
	Who performs these tasks? _____		
10	Do you approve stop payment requests and cancellations in writing? ( <i>Handbook Chapters 5.B and 5.F.4</i> ) <b>If no, comment:</b>		

11	Is a reasonable effort made to locate creditors who do not cash their checks before turning over the funds to the court as unclaimed? ( <i>Handbook Chapter 4.J.2</i> ) <b>If no, comment:</b>		
12	In documentation maintained as evidence of the efforts undertaken to locate the creditors who have not cashed their checks? ( <i>Handbook Chapter 5.F.4</i> ) <b>If no, comment:</b>		
13	Are disbursements and stop payments/voided checks posted to Form 2 contemporaneously with the transaction? ( <i>Handbook Chapters 5.A and 5.F.4</i> ) <b>If no, comment:</b>		
14	Are voided disbursement checks maintained in the appropriate estate file? ( <i>Handbook Chapter 5.F.4</i> ) <b>If no, comment:</b>		
<b>E</b>	<b>Computer Security</b> The following questions pertain to your chapter 7 case management software and hardware.		
1	a) Is all computer equipment, including MICR cartridges, portable devices and removable media, safeguarded from unauthorized access and use? ( <i>Handbook Chapter 5.G.3.e.4</i> ) <b>If no, comment:</b>		
	b) If the computer is accessed remotely, have appropriate steps been taken to ensure the remote connection is secure? ( <i>Handbook Chapter 5.G.3.e</i> )		
2	a) Do you promptly install the software updates provided by your bankruptcy software vendor? <b>If no, comment:</b>		
	b) What software version is currently installed in your office? _____		
	c) Is the same version of the software installed on each chapter 7 computer in your office and on your laptop (if any)? <b>If no, comment:</b>		
3	a) Does each user have a unique password that is changed at least quarterly? ( <i>Handbook Chapter 5.G.3.e.1</i> )		
	b) Are you the only person with access and authorization to establish and maintain passwords and access rights? ( <i>Handbook Chapter 5.G.3.e.2</i> )		
	c) Is each employee's access limited to only those features needed to perform their assigned job duties? ( <i>Handbook Chapter 5.G.3.e.2</i> )		
	d) Have you: (1) disabled access for employees who no longer have chapter 7 duties or who are no longer employed and (2) changed the generic initial password used by the vendor during set-up and training? ( <i>Handbook Chapter 5.G.3.e.1</i> )		
	<b>If no for any question, comment:</b>		



4	What controls have you implemented to discourage unauthorized access via modem (e.g., hackers) and network (e.g., non-chapter 7 employees) and how have you protected the computer system from business interruptions and external threats such as viruses, power surges, and power outages <sup>4</sup> . ( <i>Handbook Chapter 5.G.3.e.6</i> )		
5	Is virus protection software installed on your system, used routinely, and updated at least daily? ( <i>Handbook Chapter 5.G.3.e.6</i> ) <b>If no, comment:</b>		
6	What controls do you have in place to prevent and detect modifications to, or deletions of, entries on Forms 1 and 2?		
7	Are the data within the case management system and all electronically maintained estate files back up daily? ( <i>Handbook Chapter 5.G.3.e.5</i> )? <b>If no, comment:</b>		
8	Is a copy of the back-up transferred to a secure offsite location at least weekly? ( <i>Handbook Chapter 5.G.3.e.5</i> ) <b>If no, comment:</b>		
9	Are hard drives on laptops and mobile storage media encrypted to prevent unauthorized access in the event the laptops or storage media are lost or stolen? ( <i>Handbook Chapter 5.G.3.e.7 and 8</i> ) <b>If no, comment:</b>		
10	Is there a set of rules governing the use of the computer by employees? ( <i>Handbook Chapter 5.G.3.e.9</i> ) <b>If no, comment:</b>		
<b>F</b>	<b>Records Security and Retention</b>		
1	Are paper and electronic estate records stored securely in accordance with the Handbook and not accessible to the public and unauthorized personnel? ( <i>Handbook Chapter 5.G.5.a and b</i> ) <b>If no, comment:</b>		
2	Are estate files, other bankruptcy papers, and portable computer equipment handled in a secure manner when taken outside the trustee's office? ( <i>Handbook Chapter 5.G.5.a</i> ) <b>If no, comment:</b>		
3	Are estate files logically organized, readily accessible, and up-to-date, with financial records segregated from other case administration records? ( <i>Handbook Chapter 5.G.5.b(3)</i> ) <b>If no, comment:</b>		

<sup>4</sup> Although not specifically required by the Handbook, the trustee can implement a variety of safeguards to reduce the risk of data loss and damage to the computer system. Such measures might be a part of the trustee's business interruption/disaster recovery plan. Examples of such safeguards include: (1) an uninterruptible power supply (UPS) and surge protector for the electrical power and modem lines; and (2) firewalls or internal procedures to thwart hackers (e.g., turning off the computer, and/or disengaging the modem at the end of an internet session, upon completion of a data transfer session [i.e., an upload to the vendor or a download from the court], and at the end of the business day.)

4	a) Do you have a written business interruption/disaster recovery plan for the estate financial and administrative records, as well as for the computer system and data? ( <i>Handbook Chapter 5.G.4</i> ) <b>If no, comment:</b>		
	b) Is a copy of the plan stored offsite, as well as onsite, at a location known to both you and your staff? ( <i>Handbook Chapter 5.G.4</i> ) <b>If no, comment:</b>		
5	For asset cases, do you maintain the paper and electronic case files and accounting records for a period of at least two years after the date on which you were discharged and during which a proceeding on your bond may be commenced? ( <i>Handbook Chapter 5.G.5.c</i> ) <b>If no, comment:</b>		
6	For no-asset cases, do you retain all of the paper and electronic documentation that supports your independent investigation and determination that the case is a no-asset case for a period of at least two years after the date on which you were discharged and during which a proceeding on your bond may be commenced? ( <i>Handbook Chapter 5.G.5.c</i> ) <b>If no, comment:</b>		

I certify that the foregoing responses are accurate and correct to the best of my knowledge.

Trustee's signature: \_\_\_\_\_ Date signed: \_\_\_\_\_