

NAME OF ENTITY \_\_\_\_\_  
YEAR END \_\_\_\_\_

prep by \_\_\_\_\_

**FEDERAL AWARD PROGRAMS  
INTERNAL CONTROL EVALUATION**

The Single Audit Act requires the auditor to determine and report on whether an entity has internal controls that provide reasonable assurance that federal award programs are being administered in accordance with applicable laws and regulations. This determination is applied to **major** programs and should address (1) the types of errors or irregularities that could occur, (2) internal control activities that provide reasonable assurance of the prevention or detection of errors and irregularities, (3) whether the necessary control activities established by the entity are being followed, and (4) the evaluation of any weaknesses. The following provides documentation of the auditor's study and evaluation of internal controls in administering its federal award programs.

**Cross-cutting characteristics (generally applicable to all fourteen requirements)**

**Objectives**

Transactions are properly recorded and accounted for to:

- permit the preparation of reliable financial statements and federal reports
- maintain accountability over assets
- demonstrate compliance with laws, regulations and other compliance requirements.

Transactions are executed in accordance with:

- laws, regulations and the provisions of contracts and grant agreements that could have a direct and material effect on a federal program
- any other laws and regulations that are identified in the compliance requirements.

Funds, property and other assets are safeguarded against loss from unauthorized use or disposition.

**Control environment considerations**

\_\_\_ Does management exhibit a sense of operating ethically, as evidenced by a code of conduct or other verbal or written directive?

\_\_\_ Has management shown positive responsiveness to prior questioned costs and control recommendations?

\_\_\_ Does management respect and adhere to program compliance requirements?

- \_\_\_ Are key managers' responsibilities clearly defined?
- \_\_\_ Do key managers possess adequate knowledge and experience to discharge their responsibilities?
- \_\_\_ Is the staff knowledgeable about compliance requirements and do they communicate all instances of noncompliance to management?
- \_\_\_ Does management show a commitment to competence and ensure that the staff receives adequate training to perform their duties?
- \_\_\_ Does management support an adequate information and reporting system?

**Risk assessment considerations**

- \_\_\_ Have program managers and staff identified and do they understand key compliance objectives?
- \_\_\_ Does the organizational structure provide identification of the risks of noncompliance?
  - \_\_\_ Have key managers been given responsibility to identify and communicate changes?
  - \_\_\_ Are employees who require close supervision (e.g. inexperienced) identified?
  - \_\_\_ Has management identified and assessed complex operations, programs and projects?
  - \_\_\_ Is management aware of the results of monitoring, audits, and reviews and does management consider the related risk of noncompliance?
- \_\_\_ Is a process established to implement changes in program objectives and procedures?

**Control activities considerations**

- \_\_\_ Are operating procedures clearly written and communicated?
- \_\_\_ Are procedures in place to implement changes in laws, regulations, guidance and funding agreements affecting federal awards?
- \_\_\_ Is management prohibited from intervening or overriding established controls?
- \_\_\_ Is adequate segregation of duties provided between performance, review, and record keeping of a task?

Do computer and program controls include:

- data entry controls (e.g., edit checks)?
- exception reporting?
- access controls?
- review of input and output data?
- computer general controls and security controls?
- Is supervision of employees commensurate with their level of competence?
- Do personnel have adequate knowledge and experience to discharge their responsibilities?
- Are equipment, inventories, cash and other assets secured physically and periodically counted and compared to recorded amounts?

**Information and communications considerations**

- Does the accounting system provide for separate identification of federal and nonfederal transactions and allocation of transactions applicable to both?
- Does adequate source documentation exist to support amounts and items reported?
- Is a record keeping system established to ensure that accounting records and documentation are retained for the time period required by the applicable requirements (such as the Common Rule, Circular A-110) and the provisions of laws, regulations, contracts or grant agreements applicable to the program?
- Are reports provided timely so that management can review and take appropriate action?
- Is information accurate and accessible to those who need it?
- Do reconciliations and reviews ensure accuracy of reports?

Are the following internal and external communications channels established:

- staff meetings?
- bulletin boards?
- memos, circulation files, e-mail?

- surveys, suggestion boxes?
- Are employees' duties and control responsibilities effectively communicated?
- Are there established channels of communication for people to report suspected improprieties?
- Is action taken as a result of communication received?
- Are there established channels of communications between primary recipients and subrecipients?

**Monitoring considerations**

- Is ongoing staff monitoring built-in through independent reconciliations, staff meeting feedback, rotating staff, supervisory review, and management review of reports?
- Are periodic site visits performed at decentralized locations (including subrecipients) and checks performed to determine whether procedures are being followed as intended?
- Are irregularities and deficiencies followed up to determine the cause?
- Are internal quality reviews performed?
- Does management meet with program monitors, auditors, and reviewers to evaluate the condition of the program and controls?
- Does the internal audit function routinely test for compliance with federal requirements?

**(A) ACTIVITIES ALLOWED OR UNALLOWED AND (B) ALLOWABLE COSTS/COST**

## **PRINCIPLES**

### **Objectives**

To provide reasonable assurance that federal awards are expended only for allowable activities and that the costs of goods and services charges to federal awards are allowable and in accordance with the applicable cost principles.

### **Control environment considerations**

- \_\_\_ Does management set reasonable budgets for federal (and nonfederal) programs so that no incentive exists to miscode expenditures?
- \_\_\_ Does management enforce appropriate penalties for misappropriation or misuse of funds?
- \_\_\_ Is there organization-wide cognizance of the need for separate identification of allowable federal costs?

### **Risk assessment considerations**

- \_\_\_ Is there a process for assessing risks resulting from changes to cost accounting systems?
- \_\_\_ Do key managers have sufficient understanding of staff, processes and controls to identify where unallowable activities or costs could be charged to a federal program and not detected?

### **Control activities considerations**

- \_\_\_ Is there separate accountability for time charges and costs between federal and nonfederal activities?
- \_\_\_ Is a process in place for timely updating of procedures for changes in activities allowed and cost principles?
- \_\_\_ Are computations checked for accuracy?
- \_\_\_ Are underlying records checked to assure that they reflect activities allowed and allowable costs?
- \_\_\_ Are adjustments to unallowable costs made where appropriate and follow-up action taken to determine the cause?
- \_\_\_ Does adequate segregation of duties exist in review and authorization of costs?

\_\_\_ Is accountability for authorization fixed in an individual who is knowledgeable of the requirements for determining activities allowed and allowable costs?

**Information and communication considerations**

\_\_\_ Is cost information provided to appropriate management for review on a timely basis?

\_\_\_ Are internal and external communications channels established on activities and costs allowed?

\_\_\_ Has management established training programs (both formal and informal) to provide knowledge and skills necessary to determine activities and costs allowed?

\_\_\_ Is there interaction between management and staff regarding questionable costs?

\_\_\_ Are grant agreements, laws, regulations, program handbooks and cost circulars available to staff responsible for determining activities allowed and allowable costs under award programs?

**Monitoring considerations**

\_\_\_ Does management review evidence of allowable cost information?

\_\_\_ Is there a flow of information from the applicable federal agency to appropriate management personnel?

\_\_\_ Are analytical reviews and audits performed?

**SPECIFIC CONTROL ACTIVITIES - Activities Allowed or Unallowed**

Types of errors or irregularities that could occur:

Federal funds may be used in a manner that is inconsistent with federal program regulations.

Control policies and procedures that should prevent or detect such errors or irregularities (check those that apply):

- \_\_\_ 1. A supervisor's review and approval of all invoices that support charges to a federal program. This review should address whether the charge is in accordance with the federal program regulations and the approved program budget.

Describe any other policies or procedures that apply:

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Describe the tests of the policies and procedures performed.

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Evaluate the entity's policies and procedures.

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### **SPECIFIC CONTROL ACTIVITIES - Allowable Costs/Cost Principles**

Types of errors or irregularities that could occur:

- An unallowable cost, one which does not meet the criteria of allowability, reasonableness and allocability, could be charged against a federal program.
- A federal program could bear more than its fair share of indirect costs.

Control policies and procedures that should prevent or detect such errors or irregularities (check those that apply):

- 1. Persons responsible for approving program expenditures are aware of the requirements of the applicable OMB Circular and evaluate program charges based on these criteria.
- 2. A supervisor's review and approval of all invoices that support charges to a federal program. This review should address whether the charge is in accordance with the approved program budget.
- 3. Utilization of a checklist denoting allowable, unallowable, and possibly unallowable costs by person responsible for approving expenditures charged to federal programs.
- 4. The entity has prepared a cost allocation plan or indirect cost rate proposal that provides a basis for allocating indirect costs to federal programs.

- \_\_\_\_\_ 5. The cost allocation plan or indirect cost rate proposal is supported by documentation that demonstrates that the plan was prepared from accurate financial and reasonable statistical data.
- \_\_\_\_\_ 6. The cost allocation plan or indirect cost rate proposal has been submitted to and approved by the entity's cognizant agency, if required.
- \_\_\_\_\_ 7. Indirect cost charges included as federal program expenditures are reviewed by supervisory personnel and are determined to be in accordance with the entity's cost allocation plan or indirect cost rate proposal.
- \_\_\_\_\_ 8. Utilization of an outside expert to prepare or periodically review the indirect cost allocation plan and or adherence to the plan.

Describe any other policies or procedures that apply:

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Describe the tests of the policies and procedures performed.

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Evaluate the entity's policies and procedures.

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## **(C) CASH MANAGEMENT**

### **Objectives**

To provide reasonable assurance that:

- the draw down of federal cash is only for immediate needs
- states comply with Treasury agreements
- recipients limit payments to subrecipients to immediate cash needs

### **Control environment considerations**

\_\_\_ Is there appropriate assignment of responsibility for approval of cash draw downs and payments to subrecipients?

\_\_\_ Are budgets for draw downs reviewed for consistency with realistic cash needs?

### **Risk assessment considerations**

\_\_\_ Do mechanisms exist to anticipate, identify and react to routine events that affect cash needs?

\_\_\_ Is there routine assessment of the adequacy of subrecipient cash needs?

\_\_\_ Has management identified programs which receive cash advances and is management aware of the cash management requirements?

### **Control activities considerations**

Are there written policies which provide:

\_\_\_ procedures for requesting cash advances as close as is administratively possible to actual cash outlays?

\_\_\_ monitoring of cash management activities?

\_\_\_ repayment of excess interest earnings, where required?

Are state programs subject to Treasury agreements subject to written policies which include:

\_\_\_ a list of the programs covered by the agreement?

\_\_\_ the method of funding to be used?

\_\_\_ the method used to calculate interest?

\_\_\_ procedures for determining check clearing patterns (if applicable for the funding method)?

\_\_\_ Is the accounting system capable of scheduling payments for accounts payable and requests for funds from the Treasury to avoid time lapse between the drawdown of funds and actual disbursement of funds?

\_\_\_ Is the level of supervisory review of cash management activities appropriate?

### **Information and communication considerations**

\_\_\_ Does the system provide variance reporting of expected versus actual cash disbursements of federal awards and drawdowns of federal funds?

\_\_\_ Are channels of communication established between primary and subrecipients regarding cash needs?

### **Monitoring considerations**

\_\_\_ Is there periodic independent evaluation (e.g., by internal audit, top management) of entity cash management, budget and actual results, repayments of excess interest earnings and federal drawdown activities?

\_\_\_ Are subrecipients' requests for federal funds evaluated?

\_\_\_ Is there a review of compliance with Treasury-state agreements?

### **SPECIFIC CONTROL ACTIVITIES - Cash Management**

Types of errors or irregularities that could occur:

- The award recipient could receive federal funds before those funds are actually need to pay expenditures of the program; therefore, maintaining idle cash balances of federal funds.
- The award recipient could unreasonably delay payment of vendors after federal funds are received.

Control policies and procedures that should prevent or detect such errors or irregularities

(check those that apply):

- 1. All requests for federal funds (advances or reimbursements) are approved by supervisory personnel. If the request is for a reimbursement of expenditures, supporting documentation of these expenditures should accompany the request. If the request is for an advance of funds, the request should be accompanied by support for the amount requested, i.e., cash on hand and projected cash needs based on reliable accounting data. These forms of documentation should be reviewed before requests are approved and signed.
- 2. Maintaining a cash log showing expenditures and cash balances for federal award programs.
- 3. Supervisory personnel periodically inspect files of unprocessed invoices to ensure that vendors are paid on a timely basis.
- 4. Supervisory personnel periodically review cash balances of federal funds to ensure that cash balances are not excessive as compared to projected cash needs.

Describe any other policies or procedures that apply:

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Describe the tests of the policies and procedures performed.

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Evaluate the entity's policies and procedures.

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**(D) DAVIS-BACON ACT**

## **Objectives**

To provide reasonable assurance that laborers and mechanics employed by contractors and subcontractors are paid at least the prevailing wage rates for projects covered by the Davis-Bacon Act.

### **Control environment considerations**

- \_\_\_ Does management understand and communicate to staff, contractors and subcontractors the requirement to pay prevailing wages?
- \_\_\_ Does management understand its obligation to monitor compliance?

### **Risk assessment considerations**

- \_\_\_ Are mechanisms in place to identify contractors and subcontractors most at risk of not paying prevailing wages?
- \_\_\_ Has management identified *how* compliance will be monitored and the related risks of failure to monitor for compliance with the Davis-Bacon Act?

### **Control activities considerations**

- \_\_\_ Are contractors and subcontractors informed in procurement documents of the requirements and prevailing wage rates?
- \_\_\_ Are contractors and subcontractors required to submit certifications and copies of payrolls which meet the requirements to pay prevailing wage rates?
- \_\_\_ Are contractors and subcontractors payrolls monitored for compliance?

### **Information and communication considerations**

- \_\_\_ Are prevailing wage rates appropriately communicated?
- \_\_\_ Do reports submitted provide sufficient information to determine if the requirements are being met?
- \_\_\_ Are channels established for staff, workers or contractors to report misclassifications or failure to pay prevailing wages?

**Monitoring considerations**

- \_\_\_ Does management review to ensure that contractors and subcontractors are being required to pay prevailing wage rates?
- \_\_\_ Are on-site visits performed to monitor classifications and wage rates?
- \_\_\_ Are monitoring reports from contractors compared to independent checks?

**SPECIFIC CONTROL ACTIVITIES - Davis-Bacon Act**

Types of errors or irregularities that could occur:

- If applicable, laborers and mechanics working on construction projects financed by federal funds could be paid wages less than those established for the locality by the Secretary of Labor.

Control policies and procedures that should prevent or detect such errors or irregularities (check those that apply):

- \_\_\_ 1. Applicable construction contracts contain provisions requiring the payment of "prevailing wages".
- \_\_\_ 2. When requests for payments are made by contractors, the contractors are required to provide detail on all labor costs that includes the employee's name, job classification, and wage rate. Reported wage rates are compared to prevailing wage rates established by the Secretary of Labor before the request for payment is approved.
- \_\_\_ 3. Interviews with contractor's laborers to verify their wage rates and comparing them to the prevailing wage rates.
- \_\_\_ 4. Posting prevailing wage rates and the provisions of the Davis-Bacon Act at the job site.
- \_\_\_ 5. Assign responsibility to monitor contractors for compliance with the contract terms, including Davis-Bacon provision.

Describe any other policies or procedures that apply:

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Describe the tests of the policies and procedures performed.

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Evaluate the entity's policies and procedures.

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**(E) ELIGIBILITY**

## Objectives

To provide reasonable assurance that:

- only eligible individuals and organizations receive assistance under federal programs
- subawards are made only to eligible subrecipients
- amount provided to or on behalf of eligibles were calculated in accordance with program requirements

## Control environment considerations

- \_\_\_ Does the staff size and competence level provide for proper making of eligibility determinations?
- \_\_\_ Are realistic caseload/performance targets established for eligibility determinations?
- \_\_\_ Are lines of authority clear for determining eligibility?

## Risk assessment considerations

- \_\_\_ Has management identified risks that eligibility information prepared internally or received from external sources could be incorrect?
- \_\_\_ Are conflict of interest statements maintained for individuals who determine eligibility?
- \_\_\_ Is there a process for assessing risks resulting from changes to eligibility determination systems?

## Control activities considerations

- \_\_\_ Do written policies provide direction for making and documenting eligibility determinations?
- \_\_\_ Are procedures used to calculate eligibility amounts consistent with program requirements?
- \_\_\_ Are eligibility objectives and procedures clearly communicated to employees?
- \_\_\_ Are authorized signatures (manual or electronic) on eligibility documents periodically reviewed?
- \_\_\_ Is access to eligibility records limited to appropriate persons?

Are eligibility determinations made following a:

\_\_\_ manual criteria checklist?

\_\_\_ automated process?

\_\_\_ Is the process for periodic redeterminations of eligibility in accordance with the program requirements?

\_\_\_ Is the accuracy of information used in eligibility determinations verified?

\_\_\_ Are there procedures to ensure the accuracy and completeness of data used to determine eligibility requirements?

### **Information and communication considerations**

\_\_\_ Does the information system meet the needs of eligibility decision makers and program management?

\_\_\_ Is the processing of eligibility information subject to edit checks and balancing procedures?

\_\_\_ Do training programs inform employees of eligibility requirements?

\_\_\_ Do channels of communication exist for people to report suspected eligibility improprieties?

\_\_\_ Is management receptive to suggestions to strengthen the eligibility determination process?

\_\_\_ Are documentation of eligibility determinations in accordance with program requirements?

### **Monitoring considerations**

\_\_\_ Are there periodic analytical reviews of eligibility determinations performed by management?

\_\_\_ Are program quality control procedures reviewed?

\_\_\_ Are periodic audits of detailed transactions conducted?

**SPECIFIC CONTROL ACTIVITIES - Eligibility**

Types of errors or irregularities that could occur:

- Federal funds may be used to provide goods or services to ineligible individuals or agencies.

Control policies and procedures that should prevent or detect such errors or irregularities (check those that apply):

- \_\_\_ 1. Prescribed forms are used to document eligibility. Files are maintained on each applicant that contains the required form and supporting documentation for information recorded on the form.
- \_\_\_ 2. Someone other than the person responsible for making eligibility determinations, reviews application forms and support and approves eligibility determinations before the applicant is enrolled in the program.

Describe any other policies or procedures that apply:

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Describe the tests of the policies and procedures performed.

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Evaluate the entity's policies and procedures.

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**(F) EQUIPMENT AND REAL PROPERTY MANAGEMENT**

## Objectives

To provide reasonable assurance that:

- proper records are maintained for equipment and real property acquired with federal funds
- equipment and real property is adequately safeguarded and maintained
- disposition or encumbrance of any equipment or real property is in accordance with federal requirements
- the awarding agency is appropriately compensated for its share of any property sold or otherwise converted to nonfederal use.

## Control environment considerations

- \_\_\_ Does management appear committed to providing proper stewardship of property acquired with federal awards?
- \_\_\_ Is there an absence of incentives to undervalue assets at the time of disposition?
- \_\_\_ Does sufficient accountability exist to discourage temptation to misuse federally-acquired assets?

## Risk assessment considerations

- \_\_\_ Has management identified risks of misappropriation or improper disposition of property acquired with federal awards?
- \_\_\_ Does management understand the requirements and operations sufficiently to identify potential areas of noncompliance (e.g., decentralized locations, departments with budget constraints, transfers of assets between departments, etc.)?

## Control activities considerations

- \_\_\_ Are accurate records maintained on all acquisitions and dispositions of property acquired with federal awards?
- \_\_\_ Is a physical inventory of equipment periodically taken and compared to property records?
- \_\_\_ Do property records contain an adequate description of the assets (including serial number,

source, who holds title, acquisition date and cost, percentage of federal participation, location, condition, and disposition data)?

\_\_\_ Are procedures established to ensure that the awarding agency is appropriately reimbursed for dispositions of property acquired with federal awards?

### **Information and communication considerations**

\_\_\_ Does the accounting system provide for separate identification of property acquired with federal and nonfederal funds?

\_\_\_ Does a channel of communication exist for people to report suspected improprieties in the use or disposition of equipment?

\_\_\_ Are program managers provided with applicable requirements and guidelines?

### **Monitoring considerations**

\_\_\_ Does management review the results of periodic inventories and follow up on inventory discrepancies?

\_\_\_ Does management review dispositions of property to ensure appropriate valuation and reimbursement to the awarding agency?

### **SPECIFIC CONTROL ACTIVITIES - Equipment and Real Property Management**

Types of errors or irregularities that could occur:

- Equipment or real property acquired with federal funds might be disposed of without proper authorization and return of applicable funding to the appropriate federal agency.

Control policies and procedures that should prevent or detect such errors or irregularities (check those that apply):

\_\_\_ 1. Maintenance of real property records.

\_\_\_ 2. Existence of fixed asset inventory system.

\_\_\_ 3. Periodic reviews to ensure real property is used for authorized purposes.

\_\_\_ 4. Assignment of responsibility for obtaining disposition instructions for real property and disposing of real property no longer needed for the authorized

purposes.

- \_\_\_\_\_ 5. Documentation of federal requirements relating to the frequency of conducting inventory (every two years), transfer, property utilization, property disposition, and accounting.

Describe any other policies or procedures that apply:

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Describe the tests of the policies and procedures performed.

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Evaluate the entity's policies and procedures.

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**(G) MATCHING, LEVEL OF EFFORT, EARMARKING**

## Objectives

To provide reasonable assurance that matching, level of effort and earmarking requirements are met using only allowable funds or costs which are properly calculated or valued.

### Control environment considerations

- \_\_\_ Is there a commitment from management to meet matching, level of effort and earmarking requirements (e.g., adequate budget resources to meet a specified matching requirements or maintain a required level of effort)?
- \_\_\_ Does the budgeting process address/provide adequate resources to meet the applicable requirements?

### Risk assessment considerations

- \_\_\_ Is there identification of areas where estimated values will be used for matching, level of effort or earmarking?
- \_\_\_ Does management have sufficient understanding of the accounting system to identify potential recording problems?

### Control activities considerations

Do official written policies exist which outline:

- \_\_\_ responsibilities for determining required amounts or limits for matching, level of effort or earmarking?
- \_\_\_ methods for valuing matching requirements, e.g., “in-kind” contributions of property and services, calculations of levels of effort?
- \_\_\_ allowable costs that may be claimed for matching, level of effort or earmarking?
- \_\_\_ methods of accounting for and documenting amounts used for matching, level of effort, earmarking?

Is evidence obtained, such as certification from the donor, or other procedures performed to identify whether matching contributions:

- \_\_\_ are from nonfederal sources?
- \_\_\_ involve federal funding, either directly or indirectly?

\_\_\_ were used for another federally assisted program?

\_\_\_ Is there adequate review of monthly cost reports and adjusting entries?

### **Information and communication considerations**

Is the accounting system capable of:

\_\_\_ separately accounting for data used to support matching, level of effort or earmarking amounts, limits, or calculations?

\_\_\_ ensuring that expenditures or expenses, refunds and cash receipts or revenues are properly classified and recorded only once as to their effect on matching, level of effort or earmarking?

documenting the value of “in-kind” contributions of property or services, including:

\_\_\_ the basis for local labor market rates for valuing volunteer services?

\_\_\_ payroll records or other confirmation from other organizations for services provided by their employees?

\_\_\_ quotes, published prices, or independent appraisals used as the basis for donated equipment, supplies, land, buildings or use of space?

### **Monitoring considerations**

\_\_\_ Is there supervisory review of matching, level of effort or earmarking activities performed to assess the accuracy and allowability of transactions and determination, e.g., at the time reports on federal awards are prepared?

### **SPECIFIC CONTROL ACTIVITIES - Matching, Level of Effort and Earmarking**

Types of errors or irregularities that could occur:

- State or local funds that are required to be used in the federal award are not being so used.
- Program expenditures financed with state or local funds do not meet the required allowability and allocability standards applied to program expenditures financed with federal funds.

- If applicable, the entity did not maintain the local level of support that is required by the federal program legislation

Control policies and procedures that should prevent or detect such errors or irregularities (check those that apply):

- \_\_\_ 1. Program budgets include state or local funds match in budgeted revenues.
- \_\_\_ 2. State or local funds to be used for matching in federal programs are appropriated in the entity's operating budget for such match requirements.
- \_\_\_ 3. Expenditures that are paid with state or local funds but which are used to meet matching requirements in a federal program are subjected to the same review and approval process for other federal program expenditures.
- \_\_\_ 4. Actual program revenues and expenditures are compared to budgeted revenues and expenditures on a periodic basis to ensure that local support is in accordance with federal program legislation.

Describe any other policies or procedures that apply:

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Describe the tests of the policies and procedures performed.

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Evaluate the entity's policies and procedures.

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**(H) PERIOD OF AVAILABILITY OF FUNDS**

**Objectives**

To provide reasonable assurance that federal funds are used only during the authorized period of

availability.

### **Control environment considerations**

- \_\_\_ Does management understand and is management committed to complying with period of availability requirements?
- \_\_\_ Are the entity's operations such that it is unlikely that there will be federal funds remaining at the end of the availability period?

### **Risk assessment considerations**

- \_\_\_ Does the budgetary process consider the period of availability of funds as to both obligation and disbursement?
- \_\_\_ Is there identification and communication of the period of availability cutoff requirements as to both obligation and disbursement?

### **Control activities considerations**

- \_\_\_ Does the accounting system prevent expenditures of federal funds outside the availability period?
- \_\_\_ Are end-of-grant period cutoffs met by such mechanisms as advising program managers of impending cutoff dates and review of expenditures just before and after cutoff dates?
- \_\_\_ Is there cancellation of unliquidated commitments at the end of the availability period?

### **Information and communication considerations**

- \_\_\_ Is there timely communication of the availability period requirements and expenditure deadlines to those responsible for program expenditures, including automated notification of deadlines?
- \_\_\_ Is there periodic reporting of unliquidated balances to appropriate levels of management with follow up?

### **Monitoring considerations**

- \_\_\_ Is there periodic review of expenditures before and after cutoff dates to ensure compliance with period of availability requirements?

**SPECIFIC CONTROL ACTIVITIES - Period of availability of funds**

Types of errors or irregularities that could occur:

- Federal funds could be used outside the period for which they were intended.

Control policies and procedures that should prevent or detect such errors or irregularities (check those that apply):

- \_\_\_\_\_ 1. Review of expenditures to ensure charges result from obligations of the funding period unless carryover of unobligated balances is permitted.
- \_\_\_\_\_ 2. Assignment of responsibility to liquidate all obligations incurred under the award no later than 90 days after the end of the funding period.
- \_\_\_\_\_ 3. Use of checklist to ensure liquidation of obligations and submission of annual Financial Status Report (SF 269).

Describe any other policies or procedures that apply:

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Describe the tests of the policies and procedures performed.

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Evaluate the entity's policies and procedures.

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**(I) PROCUREMENT AND SUSPENSION/DEBARMENT**

**Objectives**

To provide reasonable assurance that:

- the procurement of goods and services are made in compliance with the provisions of the Common Rule or Circular A-110
- no subaward, contract or agreement for the purchase of goods or services is made with any debarred or suspended party

### **Control environment considerations**

- \_\_\_ Has the entity created and implemented codes of conduct and other policies regarding acceptable practice, conflicts of interest, or expected standards of ethical and moral behavior for making procurements?
- \_\_\_ Is there an absence of pressure to meet unrealistic procurement performance targets?
- \_\_\_ Is management prohibited from intervening or overriding established procurement controls?
- \_\_\_ Is board or governing body oversight required for high dollar, lengthy or other sensitive procurement contracts?
- \_\_\_ Are key procurement managers adequately knowledgeable and experienced in light of their responsibilities?
- \_\_\_ Is there clear assignment of authority for issuing purchase orders and contracting for goods and services?

### **Risk assessment considerations**

- \_\_\_ Are there established procedures to identify risks arising from vendor inadequacy, e.g., quality of goods and services, delivery schedules, warranty assurances, user support, etc.?
- \_\_\_ Are there established procedures to identify risks arising from conflicts of interest, e.g., kickbacks, related party transactions, bribery, etc.?
- \_\_\_ Does management understand the requirements for procurement, suspension and debarment, and given the organization's staff, departments, and processes, has management identified where noncompliance is most likely to occur?
- \_\_\_ Are conflict of interest statements maintained for individuals with responsibility for procurement of goods or services?

### **Control activities considerations**

\_\_\_ Are there written job descriptions or other means of defining tasks that comprise particular procurement jobs?

Are there official written policies for procurement and contracts which establish:

\_\_\_ contract files that document procurement history?

\_\_\_ methods of procurement authorized, including selection of contract type, contractor selection or rejection, and the basis of contract price?

\_\_\_ verification that procurements provide full and open competition?

\_\_\_ requirements for cost or price analysis, including contract modifications?

\_\_\_ obtaining and reacting to suspension and debarment certifications?

\_\_\_ other requirements under federal awards are followed?

Is there official written policy for suspension and debarment which:

\_\_\_ includes or references the federal requirements?

\_\_\_ prohibits the award of a subaward, contract or any other agreement for program administration, goods and services, or any other program purpose with any suspended or debarred party?

\_\_\_ requires staff to obtain certifications from entities receiving subawards (contract and subcontract) over \$100,000, stating that the organization and its principals are not suspended or debarred?

\_\_\_ Is there adequate monitoring and documentation of contractors' performance with the terms, conditions and specifications of contracts?

\_\_\_ Is there adequate segregation of duties between employees responsible for contracting and accounts payable and cash disbursing?

\_\_\_ Is there supervisory review of procurement and contracting decisions for compliance with federal procurement policies?

\_\_\_ Are procedures established to verify that vendors providing goods and services under the award have not been suspended or debarred from federal procurement or contracts?

## Information and communication considerations

- \_\_\_ Is there a system in place to assure that procurement documentation is retained for the time period required by the Common Rule, Circular A-110, award agreements, contracts, and program regulations? If so, does the documentation include:
  - \_\_\_ the basis for contractor selection?
  - \_\_\_ justification for lack of competition when competitive bids or offers are not obtained?
  - \_\_\_ the basis for award cost or price?
- \_\_\_ Are employees' procurements duties and control responsibilities effectively communicated?
- \_\_\_ Are channels of communication provided for people to report suspected procurement and contracting improprieties?
- \_\_\_ Are procurement staff provided current *Lists of Parties Excluded from Federal Procurement or Nonprocurement Programs*, issued by the General Services Administration?

## Monitoring considerations

- \_\_\_ Do personnel, in carrying out their regular procurement and contracting activities, obtain evidence on the effectiveness of internal control, and are corrective actions taken where deficiencies are identified?
- \_\_\_ Does management periodically conduct independent reviews of procurements and contracting activities to determine whether policies and procedures are being followed as intended?

## SPECIFIC CONTROL ACTIVITIES - Procurement and Suspension/Debarment

Types of errors or irregularities that could occur:

- Procurement may be made which do not follow the minimum federal requirements.
- Parties who are suspended or debarred may be contracted to provide goods or services under federal awards.

Control policies and procedures that should prevent or detect such errors or irregularities (check those that apply):

- \_\_\_\_\_ 1. Incorporation of federal procurement standards in the entity's purchasing policy.
- \_\_\_\_\_ 2. Review of purchase requisitions or purchase orders by person knowledgeable of procurement requirements.
- \_\_\_\_\_ 3. Assignment of responsibility to ensure that awards are not made to any debarred or suspended parties.

Describe any other policies or procedures that apply:

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Describe the tests of the policies and procedures performed.

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Evaluate the entity's policies and procedures.

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**(J) PROGRAM INCOME**

**Objectives**

To provide reasonable assurance that program income is correctly earned, recorded and used in accordance with program requirements.

### **Control environment considerations**

- \_\_\_ Does management recognize its responsibilities for program income?
- \_\_\_ Is management prohibited from intervening or overriding controls over program income?
- \_\_\_ Has management established realistic performance targets for program income?

### **Risk assessment considerations**

- \_\_\_ Are mechanisms in place to identify the risk of unrecorded or miscoded program income?
- \_\_\_ Are variances between expected and actual program income analyzed?

### **Control activities considerations**

- \_\_\_ Are pricing and collection policies and procedures clearly communicated to personnel responsible for program income?
- \_\_\_ Are mechanisms in place to ensure that program income is properly recorded as earned and deposited in the bank as collected?
- \_\_\_ Do policies and procedures provide for correct use of program income in accordance with program requirements?

### **Information and communication considerations**

- \_\_\_ Do information systems identify program income collections and usage?
- \_\_\_ Does a channel of communication exist for people to report suspected improprieties in the collection or use of program income?

### **Monitoring considerations**

- \_\_\_ Is there an internal audit of program income?
- \_\_\_ Does management compare program income to budget and investigate significant differences?

### **SPECIFIC CONTROL ACTIVITIES - Program Income**

Types of errors or irregularities that could occur:

- Program income may be used in a manner inconsistent with federal requirements.

Control policies and procedures that should prevent or detect such errors or irregularities (check those that apply):

- \_\_\_\_\_ 1. Establishment of records to track program income.
- \_\_\_\_\_ 2. Assignment of responsibility for ensuring that current program income is deducted from current allowable costs in determining federal drawdowns or reimbursements.
- \_\_\_\_\_ 3. Assignment of responsibility to ensure that program income is used only in an authorized manner

Describe any other policies or procedures that apply:

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Describe the tests of the policies and procedures performed.

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Evaluate the entity's policies and procedures.

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**(K) REAL PROPERTY ACQUISITION AND RELOCATION ASSISTANCE**

**Objectives**

To provide reasonable assurance of compliance with:

- property acquisition, appraisal, negotiation and residential relocation requirements

- replacement housing payment requirements
- rental or down payment assistance requirements
- business relocation and reestablishment payment requirements

### **Control environment considerations**

\_\_\_ Is management committed to ensuring compliance with the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 (the Act)

### **Risk assessment considerations**

\_\_\_ Has management identified risks that relocation will not be conducted in accordance with the Act, e.g., improper payments will be made to individuals or businesses that relocate?

### **Control activities considerations**

\_\_\_ Have employees handling relocation assistance and real property acquisitions been trained in the requirements of the Act?

\_\_\_ Do written policies exist for handling relocation assistance and real property acquisition?

### **Information and communication considerations**

\_\_\_ Is a system in place to adequately document relocation assistance and real property acquisition?

### **Monitoring considerations**

\_\_\_ Does management monitor relocation assistance and real property acquisitions for compliance with the Act?

## **SPECIFIC CONTROL ACTIVITIES - Relocation Assistance and Real Property Acquisition**

Types of errors or irregularities that could occur:

- Real property acquisitions could be handled in such a manner that property owners are not compensated fairly for their property.
- In the case of relocations, the property owners would not receive assistance in relocating and may not be able obtain adequate replacement property.

Control policies and procedures that should prevent or detect such errors or irregularities (check those that apply):

- 1. A real property acquisition policy that contains the following provisions:
  - a. Property is appraised in the presence of the owner.
  - b. All appraisals will be reviewed.
  - c. Price is set based on appraisals.
  - d. Settlements are negotiated with the owners in a manner that is fair to both parties.
  
- 2. A relocation assistance policy that contains the following provisions:
  - a. Assistance is provided to displaced individuals in locating replacement housing.
  - b. Replacement property shall meet acceptable standards.
  - c. Adequate recordkeeping will be maintained on all relocations.
  
- 3. The existence of a "relocation officer", i.e., the assignment of a person to monitor compliance with federal requirements.
  
- 4. Use of a checklist of federal requirements by persons responsible for administering programs involving relocation or real property acquisition.
  
- 5. Practice of sending information to persons being relocated, informing them of their rights and the prescribed procedures.
  
- 6. Practice of requesting written acknowledgement of persons being relocated that the required procedures and rights were made available to them.
  
- 7. Existence of a review function over the acquisition of real property for compliance with federal requirements.

Describe any other policies or procedures that apply:

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Describe the tests of the policies and procedures performed.

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Evaluate the entity's policies and procedures.

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**(L) REPORTING**

**Objectives**

To provide reasonable assurance that reports of federal awards submitted:

- include all activity of the reporting period
- are supported by underlying accounting or performance records

- are fairly presented in accordance with program requirements

### **Control environment considerations**

- \_\_\_ Do persons preparing, reviewing and approving the reports possess the required knowledge, skills and abilities?
- \_\_\_ Does management's attitude toward reporting promote accurate and fair presentation?
- \_\_\_ Is the assignment of responsibility and delegation of authority for reporting decisions appropriate?

### **Risk management considerations**

- \_\_\_ Do mechanisms exist to identify risks of faulty reporting caused by such items as lack of current knowledge of, inconsistent application of, or carelessness or disregard for standards and reporting requirements under federal awards?
- \_\_\_ Has management identified the risks that underlying source data or analysis for performance or special reporting may not be reliable?

### **Control activities considerations**

- \_\_\_ Do written policies exist that establish responsibility and provide procedures for periodic monitoring, verification and reporting of program progress and accomplishments?
- \_\_\_ Is there a tracking system which reminds staff when reports are due?
- \_\_\_ Is the general ledger or other reliable report the basis for reporting?
- \_\_\_ Is there supervisory review of reports to assure accuracy and completeness of data and information included in reports?
- \_\_\_ Is the required method of accounting used?

### **Information and communication considerations**

- \_\_\_ Is there an accounting or performance system that provides for the reliable processing of financial and performance information for federal awards?

### **Monitoring considerations**

- \_\_\_ Do communications from external parties corroborate information included in the reports for federal awards?

\_\_\_ Are internal quality reviews of performance information performed?

**SPECIFIC CONTROL ACTIVITIES - Reporting**

Types of errors or irregularities that could occur:

- The required reports may not be submitted on a timely basis.
- The reports may contain inaccurate information.

Control policies and procedures that should prevent or detect such errors or irregularities (check those that apply):

- \_\_\_ 1. Employees responsible for preparing federal financial reports are provided a timetable with dates the reports are due.
- \_\_\_ 2. Reports are prepared from reliable accounting data.
- \_\_\_ 3. Supervisory personnel (someone other than preparer) is responsible for reviewing and signing reports. This review should include a determination that the report is filed on a timely basis and that the information in the report is supported by the accounting records.
- \_\_\_ 4. Periodic documented reconciliations of federal financial reports to the general ledger.

Describe any other policies or procedures that apply:

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Describe the tests of the policies and procedures performed.

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Evaluate the entity's policies and procedures.

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## **(M) SUBRECIPIENT MONITORING**

### **Objectives**

To provide reasonable assurance that:

- federal award information and compliance requirements are identified to subrecipients
- subrecipient activities are monitored

- subrecipient audit findings are resolved
- the impact of subrecipient noncompliance on the primary recipient is evaluated

Primary recipients should also provide reasonable assurance that subrecipients have required audits performed and take appropriate corrective action on audit findings.

**Control environment considerations**

\_\_\_ Has the “tone at the top” established management’s commitment to monitoring subrecipients?

\_\_\_ Has management made it clear that overriding established procedures to monitor subrecipients will not be tolerated?

\_\_\_ Is the entity’s organizational structure, and its ability to provide necessary information flow to monitor subrecipients, adequate?

\_\_\_ Are sufficient resources dedicated to monitoring subrecipients?

\_\_\_ Are the knowledge, skills, and abilities needed to accomplish subrecipient monitoring tasks defined?

\_\_\_ Do individuals performing these tasks possess the knowledge, skills and abilities required?

Do subrecipients demonstrate that:

\_\_\_ they are willing and able to comply with the requirements of the award?

\_\_\_ they have accounting systems, including the use of applicable cost principles, and internal control systems adequate to administer the award?

**Risk assessment considerations**

\_\_\_ Do key managers understand the subrecipient’s environment, systems, and controls, sufficient to identify the levels and methods of monitoring required?

Do mechanisms exist to identify risks arising from external sources affecting subrecipients, such as those related to:

\_\_\_ economic conditions?

\_\_\_ political conditions?

- regulatory changes?
- unreliable information?

Do mechanisms exist to identify and react to changes in subrecipients, such as:

- financial problems that could lead to diversion of grant funds?
- loss of essential personnel?
- loss of license or accreditation to operate program?
- rapid growth?
- new activities, products or services?
- organizational restructuring?

### **Control activities considerations**

Do official written policies exist which establish:

- communication of federal award requirements to subrecipients?
- responsibilities for monitoring subrecipients?
- process and procedures for monitoring?
- methodology for resolving findings of subrecipient noncompliance or weaknesses in internal control?
- requirements for and processing of subrecipient audits, including appropriate adjustment of primary recipient's accounts?

Is the subrecipient's compliance monitored using techniques such as:

- determining by inquiry and discussion whether subrecipients met the thresholds requiring an audit under A-133?
- If an audit is required, assuring that the subrecipient submits the report, report package, or documents required by the latest OMB requirements?

- \_\_\_ Following up on reported deficiencies related to programs funded by the recipient?
- \_\_\_ If an A-133 audit was required but not obtained, did the primary recipient follow up with the subrecipient until the audit was completed, or take other appropriate action (such as withholding further funding until the requirements are met)?
- \_\_\_ Is a finding follow-up system operational to track reported subrecipient deficiencies and resolution actions?

**Information and communication considerations**

Does the standard award document used by the primary recipient contain:

- \_\_\_ a listing of the federal requirements that the subrecipient must follow?
- \_\_\_ the description and program (CFDA) number for each program?
- \_\_\_ a statement signed by a responsible official of the subrecipient which indicates that the subrecipient was informed of, understands and agrees to comply with the applicable requirements?
- \_\_\_ Is there a recordkeeping system in place to assure that documentation is retained for the time period required by the primary recipient?
- \_\_\_ Are procedures in place to provide channels for subrecipients to communicate concerns to the primary recipient?

**Monitoring considerations**

- \_\_\_ Is a tracking system established to assure timely submission of required reporting, such as financial reports, performance reports, audit reports, on-site monitoring review and timely resolution of audit findings?
- \_\_\_ Are supervisory reviews performed to determine the adequacy of subrecipient monitoring?

**SPECIFIC CONTROL ACTIVITIES - Subrecipient Monitoring**

Types of errors or irregularities that could occur:

- Subrecipients may not expend the funds in accordance with applicable federal laws and regulations.

Control policies and procedures that should prevent or detect such errors or irregularities (check those that apply):

- \_\_\_\_\_ 1. If the subrecipient will expend more than \$300,000 in federal funds during a fiscal year, the subcontract between the primary recipient and the subrecipient requires the subrecipient to obtain a timely audit in accordance with A-133.
- \_\_\_\_\_ 2. The subcontract requires the subrecipient to provide the primary recipient with a copy of the audit report and the subrecipient's response to any audit findings.
- \_\_\_\_\_ 3. The primary recipient follows up on the audit findings to determine whether the subrecipient has satisfactorily resolved audit findings. This follow up should be performed on a timely basis.
- \_\_\_\_\_ 4. If monitoring is required by the program legislation, the primary recipient establishes and follows a schedule of timely monitoring.
- \_\_\_\_\_ 5. Procedures established for monitors are documented and followed during the conduct of monitoring visits.
- \_\_\_\_\_ 6. Supervisory personnel review monitors reports and follow up on any findings.

Describe any other policies or procedures that apply:

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Describe the tests of the policies and procedures performed.

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Evaluate the entity's policies and procedures.

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## **(N) SPECIAL TESTS AND PROVISIONS**

Due to the uniqueness of special tests and provisions requirements, there are no specific considerations for the internal control components that have not been addressed elsewhere.

### **SPECIFIC CONTROL ACTIVITIES - Special Tests and Provisions**

Types of errors or irregularities that could occur:

- The agency may not be in compliance with special requirements contained in federal program legislation.

Control policies and procedures that should prevent or detect such errors or irregularities (check those that apply):

- 1. Persons responsible for administering federal awards have copies of and are aware of the special provisions contained in the OMB's Compliance Supplement for each federal program.
- 2. Grant agreements are reviewed for special provisions and procedures are documented that address how special compliance provisions will be satisfied.

Describe any other policies or procedures that apply:

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Describe the tests of the policies and procedures performed.

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Evaluate the entity's policies and procedures.

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