PART 6 - INTERNAL CONTROL

The focus of this part is on internal control over compliance requirements for federal awards (sometimes referred to as internal control over compliance). It is intended for the consideration of both recipients and subrecipients and auditors and includes the following:

- A summary of the requirements for internal control for both recipients and subrecipients receiving federal awards (also referred to as auditee management) and auditors performing audits under 2 Part 200 (i.e., the Uniform Guidance);
- A background discussion on important internal control concepts; and
- Appendices that include illustrations of entity-wide internal controls over federal awards (Appendix 1), as well as illustrations of internal controls specific to each type of compliance requirement (Appendix 2).

Uniform Guidance Internal Control Requirements

2 CFR 200.303 requires that recipients and subrecipients receiving federal awards establish, document and maintain effective internal control over the federal awards that provides reasonable assurance that the recipient or subrecipient is managing the federal awards in compliance with federal statutes, regulations, and the terms and conditions of the federal awards. 2 CFR 200.514 requires auditors to obtain an understanding of the recipient and subrecipient's internal control over federal programs sufficient to plan the audit to support a low assessed level of control risk of noncompliance for major programs, and, unless internal control is likely to be ineffective, plan the testing of internal control over major programs to support a low assessed level of control risk for the assertions relevant to the compliance requirements for each major program and perform testing of internal control as planned.

Note: When internal control is likely to be ineffective in preventing and detecting noncompliance, 2 CFR 200.514 requires the auditor to report a significant deficiency or material weakness, assess control risk at the maximum, and consider whether additional compliance tests are required because of the ineffective internal control.

The objectives of internal control over compliance as found in 2 CFR 200.1, are as follows:

1. Transactions are properly recorded and accounted for in order to:
    a) Permit the preparation of reliable financial statements and federal reports;
    b) Maintain accountability over assets; and
    c) Demonstrate compliance with federal statutes, regulations, and the terms and conditions of the federal award;
2. Transactions are executed in compliance with:
    a) Federal statutes, regulations, and the terms and conditions of the federal award that could have a direct and material effect on a federal program; and

b) Any other federal statutes and regulations that are identified in the Compliance Supplement; and

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

2 CFR 200.303 indicates that the internal controls required to be established by a recipient and subrecipient receiving federal awards "should" align with guidance in "Standards for Internal Control in the Federal Government," issued by the Comptroller General of the United States (the Green Book) or the "Internal Control Integrated Framework" (revised in 2014), issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). 2 CFR 200.101(a)(3) states that "throughout subparts A through F the word "must" indicates a requirement. Whereas use of the word "should" or "may" indicates a recommended approach and permit discretion" rather than a requirement. Therefore, the Uniform Guidance is recommending that recipients and subrecipients use either the Green Book or COSO internal control frameworks but does not require it. Q-30 indicates that, while recipients and subrecipients must have effective internal control, there is no expectation or requirement that the recipient and subrecipient document or evaluate internal controls prescriptively in accordance with COSO, the Green Book, or this part of the Supplement, or that the recipient or subrecipient or auditor reconcile technical differences between them. Recipients and their auditors will need to exercise judgment in determining the most appropriate and cost-effective internal control in a given environment or circumstance to provide reasonable assurance for compliance with federal program requirements (https://www.coffa.gov/assets/files/2%20CFR%20Revised%20FAQs.pdf).

However, recipients and subrecipients and auditors should be aware that the Uniform Guidance also includes requirements for recipients and subrecipients to have written policies or procedures supporting compliance with certain compliance requirements. The areas of procurement and subrecipient monitoring are examples of compliance requirements that contain such requirements.

COSO/Green Book Concepts Relevant to Internal Control Over Compliance

The following is a summary level discussion of internal control concepts covered in both the COSO and Green Book frameworks that are relevant to internal control over compliance. Recipients and subrecipients and auditors should review COSO and the Green Book in their entirety to ensure an appropriate understanding of these concepts.

Internal control is generally defined as a process effected by an entity's oversight body, management, and other personnel that provides reasonable assurance that the objectives of an entity will be achieved.

With respect to federal awards, a system of internal control is expected to provide a recipient or subrecipient with reasonable assurance that the entity's objectives relating to compliance with federal statutes, regulations, and the terms and conditions of federal awards will be achieved.

Internal control is not one event or circumstance, but a dynamic and iterative process—actions that permeate an entity's activities and that are an integral part of the way auditee management

runs the entity. Embedded within this process are controls consisting of policies and procedures. These policies reflect auditee management or oversight body statements of what should be done to effect internal control. Procedures consist of actions that implement a policy.

Processes, which are conducted within or across operating units or functional areas, are managed through the fundamental auditee management activities, such as planning, executing, and checking. Internal control is integrated with these processes. Internal control embedded within these processes and activities are likely more effective and efficient than stand-alone controls.

Internal control provides many benefits to an entity. It provides auditee management with added confidence regarding the achievement of objectives, provides feedback on how effectively an entity is operating, and helps reduce risks affecting the achievement of the entity's compliance objectives.

Auditee management exercises judgment in balancing the cost and benefit of designing, implementing, and operating internal controls. In exercising that judgment, management considers both qualitative and quantitative factors, as well as the specific risks of their federal awards and operations.

The Green Book and COSO are both organized by five components of internal control as shown in the table below. COSO identifies 17 principles related to the five components of internal control, each of which has important attributes which explain the principles in greater detail. The Green Book adapts these principles for a government environment.

Summary of Green Book and COSO Components and Principles of Internal Control

Components of Internal Control	Principles
Control Environment	1. Demonstrate Commitment to Integrity and Ethical Values 2. Exercise Oversight Responsibility 3. Establish Structure, Responsibility, and Authority 4. Demonstrate Commitment to Competence 5. Enforce Accountability
Risk Assessment	6. Define Objectives and Risk Tolerances 7. Identify, Analyze, and Respond to Risks 8. Assess Fraud Risk 9. Identify, Analyze, and Respond to Change
Control Activities	10. Design Control Activities 11. Design Activities for the Information System 12. Implement Control Activities
Information and Communication	13. Use Quality Information 14. Communicate Internally 15. Communicate Externally
Monitoring	16. Perform Monitoring Activities 17. Evaluate Issues and Remediate Deficiencies

To determine if an internal control system is effective, auditee management assesses the design, implementation, and operating effectiveness of the five components and 17 principles. If a principle or component is not effective, or the components are not operating together in an integrated manner, then an internal control system cannot be effective.

Because both COSO and the Green Book have the same components of internal control and similar principles, for consistency, this part and its appendices are primarily based on the Green Book.

Illustrative Internal Controls Appendices

The section in this part, "Uniform Guidance Internal Control Requirements," describes the auditor's responsibility for internal control under the Uniform Guidance. The appendices to this part are intended to illustrative internal controls for each of the five components of internal control to assist recipients and subrecipients and their auditors in complying with their respective requirements.

Appendix 1 provides illustrative entity-wide controls over compliance for four of the five above described components of internal control as follows: control environment, risk assessment, information and communication, and monitoring. For this purpose, entity-wide controls are considered governance controls that apply to most, if not all, types of compliance requirements for one or more federal programs. See Appendix 1 for more information about entity-wide controls.

Appendix 2 provides illustrative specific controls for control activities, the remaining component of internal control, for each type of compliance requirement. For this purpose, specific controls are considered operational-level controls that apply to individual types of compliance requirements. See Appendix 2 for more information about specific controls.

Important Note: Auditors are cautioned that the approach taken in the appendices to present four of the five control components as being subject to entity-wide controls and the remaining component as being subject to specific controls may not reflect how a particular entity designs and implements internal control.

For example:

- Some entities may establish specific controls (versus entity-wide controls) relating to certain of the control components discussed in Appendix 1 as typically having entity-wide controls.
- Federal programs may also be administered under multiple internal control structures. This occurs when multiple organizational units (for example, locations or branches) are involved in the administration of federal programs such as a university that has several campuses administering a federal program, each having differing internal control structures.

In these situations, auditors should obtain an understanding of controls and test controls at a level that reflects the way management designs and implements internal control, as well as prepare related audit documentation at that level.

Finally, the illustrative controls in the appendices to this part are not intended to be all-inclusive or a checklist of required internal control characteristics. That is, recipients and subrecipients could have adequate internal control even though some or all of the illustrative controls are not present. Further, recipients and subrecipients could have other appropriate internal controls operating effectively that have not been included among the illustrations. Recipients and Subrecipients need to exercise judgment in determining the most appropriate and cost-effective internal control in a given environment or circumstance, to provide reasonable assurance of compliance with federal program requirements.

Appendix 1 - Illustrative Entity-Wide Controls

This appendix provides illustrative entity-wide controls over compliance for four of the five components of internal control as follows: control environment, risk assessment, information and communication, and monitoring. It is organized this way because many recipients and subrecipients consider and implement internal control in this manner.

For this purpose, entity-wide controls are considered governance controls that apply to most, if not all, types of compliance requirements for one or more federal programs. Entity-wide controls are generally governance controls established at the entity-wide level versus at the federal program or type of compliance requirement level. For example, an entity may establish controls related to the control environment for all types of compliance requirements for an individual federal program or even across all federal programs. When recipients and subrecipients implement internal controls in this manner, auditors may obtain an understanding of controls and test controls at the entity-wide level, as well as prepare related documentation at that level.

Green Book Principles

The Green Book includes a description of the five components of internal control and their related principles. The descriptions of the components and principles for control environment, risk assessment, information, and communication, and monitoring below are taken directly from the Green Book.

Note: The following provides illustrative entity-wide controls for four of the five components of internal control as follows: control environment, risk assessment, information and communication, and monitoring. It is not intended to be used as a checklist of required internal control characteristics. In addition, caution should be used as the entity-wide control approach used below may not reflect the way management considers and implements internal control. Refer to the introduction to this appendix above to ensure an appropriate understanding of this appendix and how to use it. Importantly, as noted in both the Green Book and COSO, all five components of internal control have to be present and functioning for internal control to be designed effectively.

See Appendix 2 for illustrative specific controls for control activities, the remaining component of internal control, for each type of compliance requirement.

Control Environment Component

The foundation for an internal control system. It provides the discipline and structure, which affect the overall quality of internal control. It influences how objectives are defined and how control activities are structured. The oversight body and management establish and maintain an environment throughout the entity that sets a positive attitude toward internal control.

Principle 1. The oversight body and management should demonstrate a commitment to integrity and ethical values.

Illustrative Controls for Principle 1:

- A code of conduct is developed, documented, communicated and periodically updated
- A code of conduct explicitly prohibits inappropriate management override of established controls
- Conflict of interest statements are obtained periodically from those charged with governance (TCWG) and key management

Principle 2. The oversight body should oversee the entity's internal control system.

Illustrative Controls for Principle 2:

- TCWG have the requisite skills and knowledge to provide effective oversight pertaining to federal award compliance issues and related risk
- TCWG periodically review ethical and moral conduct violations including stakeholder complaints regarding issues of federal award compliance with senior management
- A whistle blower submission process exists to receive and evaluate concerns by employees regarding questionable practices inclusive of issues impacting federal award compliance/non-compliance
- An audit committee charter exists and addresses federal compliance oversight
- The effectiveness and performance of the audit committee is evaluated annually
- TCWG have effective two-way communication with external and internal auditors
- TCWG review risk assessments including the risks of fraud for impact on federal compliance objectives

Principle 3. Management should establish an organizational structure, assign responsibility, and delegate authority to achieve the entity's objectives.

Illustrative Controls for Principle 3:

- Policies, procedures and organizational charts provide for segregation of duties within and among processes and controls
- Policies and procedures are in place to ensure that compliance responsibilities are assigned to particular positions

Principle 4. Management should demonstrate a commitment to recruit, develop, and retain competent individuals.

Illustrative Controls for Principle 4:

- Job descriptions include appropriate knowledge and skill requirements
- Appropriate training is provided that is relevant to responsibilities over compliance objectives
- Personnel with federal award compliance responsibilities are properly trained on their responsibilities

Principle 5. Management should evaluate performance and hold individuals accountable for their internal control responsibilities.

Illustrative Controls for Principle 5:

- Appropriate performance evaluations are provided that establish goals, accountability, and feedback
- Violations of the code of conduct result in remedial actions to deter others
- Consequences for noncompliance with the code of conduct are communicated and enforced
- Penalties for inappropriate behavior are adequate and publicized

Risk Assessment Component

Having established an effective control environment, management assesses the risks facing the entity as it seeks to achieve its objectives. This assessment provides the basis for developing appropriate risk responses. Management assesses the risks the entity faces from both external and internal sources.

Principle 6. Management should define objectives clearly to enable the identification of risks and define risk tolerances.

Illustrative Controls for Principle 6:

- Management establishes an effective risk assessment process that includes the use of a specific risk matrix
- Management identifies key compliance objectives for types of compliance requirements
- Management identifies and evaluates risk tolerances related for controls over compliance

Principle 7. Management should identify, analyze, and respond to risks related to achieving the defined objectives.

Illustrative Controls for Principle 7:

- Management analyzes and identifies compliance risks
- TCWG have oversight over significant areas of risks
- Employees receive appropriate training to address identified risks
- Risk mitigation strategies are implemented by management

Principle 8. Management should consider the potential for fraud when identifying, analyzing, and responding to risks.

Illustrative Controls for Principle 8:

- Management reviews audit findings to identify fraud risks

- If an internal audit function exists, it reviews fraud risks and the internal control structure
- Management reviews the internal control structure for potential fraud risks
- TCWG periodically review a report of the potential fraud risks identified and actions taken in response to those risks during the period

Principle 9. Management should identify, analyze, and respond to significant changes that could impact the internal control system.

Illustrative Controls for Principle 9:

- Management identifies changes such as new personnel, new technology, expanded operations, rapid growth, or changes in the operating environment and adjusts risk assessments to address those changes
- Management analyzes compliance requirement modifications to properly adjust risk
- A communication process with regulators is in place to identify changes in compliance requirements
- Changes in philosophies or employee turnover are evaluated by management for any potential impact on related controls

Control Activities Component – See Appendix 2 for this component and related principles 10, 11, and 12.

Information and Communication Component

Management uses quality information to support the internal control system. Effective information and communication are vital for an entity to achieve its objectives. Entity management needs access to relevant and reliable communication related to internal as well as external events.

Principle 13. Management should use quality information to achieve the entity's objectives.

Illustrative Controls for Principle 13:

- Financial and programmatic systems capture, accurately process, and timely report pertinent information
- The accounting system provides for separate identification of federal and non-federal transactions
- Adequate source documentation exists to support amounts and items reported
- Reports are provided timely to managers for review and appropriate action
- Management verifies the sources and reliability of information used in making management decisions and executes monitoring controls
- When information is derived from the organization's information technology (IT) systems:
    - Security administration
        - Written policies and procedures regarding IT security exist

        - Regarding managing user access rights, (1) rights are approved and granted based on job responsibilities; (2) rights, including super user access, are reviewed periodically; and (3) access is revoked in a timely manner
        - Duties of security personnel do not include performing compliance processes or controls, programming, or IT management
        - Remote and third party access rights are managed to include timely revocation of rights

    - Program maintenance
        - Policies around the change management process are documented, approved, and communicated
        - Segregation of duties exists between development, testing, and production
        - Changes to productions are logged and reviewed

    - Program execution
        - Policies around the program execution process are documented, approved, and communicated
        - Production job scheduling change requests are approved by appropriate IT personnel
        - The scheduling system is restricted from accessing anything that is not in the production library (applications and databases)
        - Schedule exceptions are monitored to determine if they are properly resolved

Principle 14. Management should internally communicate the necessary quality information to achieve the entity's objectives.

Illustrative Controls for Principle 14:

- Relevant internal and external information is communicated and delivered to employees responsible for federal award compliance on a timely basis
- Effective channels for communication throughout the organization exist

Principle 15. Management should externally communicate the necessary quality information to achieve the entity's objectives.

Illustrative Controls for Principle 15:

- Relevant information is communicated to external parties including subrecipients, vendors, federal granting agencies, and third party processors on a timely basis
- Effective channels exist for communications with federal granting agencies, oversight agencies and cognizant agencies

Monitoring Component

Activities management establishes and operates to assess the quality of performance over time and promptly resolves the findings of audits and other reviews.

Principle 16. Management should establish and operate monitoring activities to monitor the internal control system and evaluate the results

Illustrative Controls for Principle 16:

- Management monitors the effective operation of critical control activities
- Management monitors the use of effective self-review procedures in critical compliance areas
- Management monitors the effective review of timely and reliable metrics or key performance indicators, including reconciliation with data from financial or other reporting systems to ensure its accuracy and completeness
- Management monitors the reconciliation of key performance indicators with data from financial or other reporting systems, including reconciliation with data from financial or other reporting systems to ensure its accuracy
- If an internal audit function exists, it is staffed with qualified and competent personnel and it reports directly to TCWG
- If an internal audit function exists, its responsibilities and audit plans are aligned to the organization's risk assessment

Principle 17. Management should remediate identified internal control deficiencies on a timely basis.

Illustrative Controls for Principle 17:

- Findings, recommendations and other observations by independent auditors, internal auditors, and federal auditors are distributed and reviewed by those individuals responsible for compliance with federal requirements.
- Control deficiencies and instances of noncompliance are reported to and evaluated by management and TCWG, if applicable, for resolution on a timely basis
- Management periodically monitors the corrective action plans related to known noncompliance and control deficiencies and the organization's progress to remediating the findings

Appendix 2 – Illustrative Specific Controls for Control Activities

While Appendix 1 includes illustrative entity-wide controls over compliance for four of the five components of internal control (i.e., control environment, risk assessment, information and communication, and monitoring), this appendix provides illustrative specific controls over compliance for control activities, the remaining component of internal control. It is organized this way because many recipients and subrecipients consider and implement internal control in this manner.

For this purpose, specific controls are considered operational-level controls that apply to individual types of compliance requirements. For example, an entity may establish controls related to control activities at the applicable type of compliance requirement level (e.g., allowable costs, eligibility, reporting) for the federal programs that it participates in. When recipients and subrecipients implement internal controls in this manner, auditors should obtain the understanding of controls and test specific controls related to control activities and prepare related documentation at that level.

Control Activities Component

The actions management establishes through policies and procedures to achieve objectives and respond to risks in the internal control system, which includes the entity's information system. The Green Book includes the following three principles for control activities:

Principle 10. Design Control Activities – management should design control activities to achieve objectives and respond to risks

Principle 11. Design Activities for the Information System – management should design the entity's information system and related control activities over technology to achieve objectives and respond to risks

Principle 12. Implement Control Activities – management should implement control activities through policies

Understanding a Process vs. Controls

A process is a series of actions that lead to a particular result—for example, charging costs to a federal award. The process is where noncompliance with allowable costs/cost principles or other requirements could occur. Often the potential noncompliance is referred to as a "what-could-go-wrong" (WCGW). A control is designed to prevent or timely detect noncompliance. However, a control does not itself introduce noncompliance into a process. When identifying controls, it is important to first consider the processes and the resulting WCGWs. As controls should be designed, implemented, and maintained to be responsive to risk and WCGWs, it is difficult to determine the appropriateness of specific controls without understanding the process and the WCGWs.

Controls may be viewed as part of a process and the flow of transactions, but controls need to be separately identified. When it is difficult to identify the difference between the process and controls, there is often a missing control. Several important related considerations follow:

- Process owners are often referred to as the doers and the control owner is often referred to as the reviewer.
- A well-designed system of internal control assigns a control to each WCGW. An entity could have one control that addresses one WCGW, a suite of controls that address one WCGW, or one control that addresses multiple WCGWs.
- Controls are often described in terms of a control category, such as authorization, management review, segregation of duties, or system access.

Understanding Controls Activities

Control activities may be preventative or detective. A preventive control is designed to avoid an unintended event or result at the time of the transaction while a detective control is designed to discover an unintended event or result after the initial processing has occurred but before the ultimate objective has concluded. Entities usually employ a mix of both.

Controls need to be designed such that they *would* prevent or detect a WCGW—not just that they *could* prevent or detect a WCGW. Controls also need to be evaluated for the precision of their efforts. Generally, management has a greater need for precision and redundancy than do auditors. That is, external auditors are focused on material noncompliance, whereas management is focused on compliance.

Importantly, as noted in both the Green Book and COSO, all five components of internal control have to be present and functioning for internal control to be designed effectively—that is, control activities on their own are not an effective system of internal controls. Even within control activities, controls rely on the effective design and operation of other controls. For example, a management review control generally uses information produced by the entity. Therefore, the management review control is only effective if there are controls over the information used in the review. Also, general IT controls, typically designed and implemented as entity-wide controls described in Appendix 1, are necessary for the effective operation of application IT controls.

Note: The following provides illustrative specific controls for control activities (one of the five components of internal control) for each type of compliance requirement. It is not intended to be used as a checklist of required internal control characteristics. In addition, caution should be used as the specific control approach used below only for control activities may not reflect the way management considers and implements internal control. Refer to the introduction to this appendix above to ensure an appropriate understanding of this appendix and how to use it. Importantly, as noted in both the Green Book and COSO, all five components of internal control have to be present and functioning for internal control to be designed effectively.

See Appendix 1 for illustrative entity-wide controls for the other four components of internal control (i.e., control environment, risk assessment, information and communication, and monitoring).

PART 6 – APPENDIX 2

Illustrative Specific Controls – Control Activities (excerpted from Greenbook).

Principle 10. Design Control Activities: management should design control activities to achieve objectives and respond to risks.

A. ACTIVITIES ALLOWED OR UNALLOWED B. ALLOWABLE COSTS/COST PRINCIPLES	C. CASH MANAGEMENT	E. ELIGIBILITY	F. EQUIPMENT AND REAL PROPERTY MANAGEMENT
Management identifies and puts into effect actions needed to carry out specific responses to risks identified in the risk assessment process, such as miscoding, inappropriate cost transfers, budget overages, segregation of duties concerns, unauthorized changes to system configurations, fraud, unauthorized payments, etc.	Management identifies and puts into effect actions needed to carry out specific responses to risks identified in the risk assessment process, such as time lapses between funds transfer and disbursement, fraud, liquidity pressures, inherent risks with subrecipients, etc.	Management identifies and puts into effect actions needed to carry out specific responses to risks identified in the risk assessment process, such as providing benefits to ineligible individuals, calculating amounts to be received for or on behalf of individuals incorrectly, unauthorized changes to system configurations, fraud, unauthorized payments, etc.	Management identifies and puts into effect actions needed to carry out specific responses to risks identified in the risk assessment process for equipment and real property, such as inaccurate or incomplete recordkeeping, inappropriate use, unidentified dispositions, segregation of duties concerns, fraud, loss, damage, theft, etc.
Management reviews applicable award agreements or contracts for specific allowable activities requirements, budget parameters , indirect rates, fringe benefit rates, and those activities/costs that require pre-approval by the awarding agency and documents such features into a grant approval form which is submitted to accounting personnel for review and approval before being input into the system as the profile for the grant.	Management reviews applicable award agreements or contracts to determine applicability of drawdown method (advance or reimbursement) to develop its own control activities and to inform its establishment of a method for subrecipients, as applicable.	Management reviews applicable award agreements or contracts and identifies specific eligibility requirements including benefits to be paid.	Management reviews applicable award agreements or contracts and identifies specific equipment and real property requirements.

A. ACTIVITIES ALLOWED OR UNALLOWED B. ALLOWABLE COSTS/COST PRINCIPLES	C. CASH MANAGEMENT	E. ELIGIBILITY	F. EQUIPMENT AND REAL PROPERTY MANAGEMENT
Supervisors review and approve invoices, cost allocations, efforts of personnel, fringe benefits and indirect charges for allowability, adherence to cost principles, accuracy, and completeness.	Requests for reimbursement are reviewed/authorized prior to submission by reviewing supporting documents/schedules/reports to ensure amounts have been paid with the organization's funds prior to the reimbursement request. (Reimbursement)	Accuracy and completeness of data used to determine eligibility requirements are reviewed and agreed to support as necessary by staff and reviewed by knowledgeable supervisor.	Property additions purchased with grant funds are recorded timely and compared to source documents for accurate and complete recording.
Chart of accounts segregates unallowable costs/activities into discrete accounts to help ensure they are not coded to federal awards; directly or indirectly.	Cash flow statements/forecasts are prepared and reviewed to determine the immediate cash needs of the federal program. (Advance)	Manual checklists or automated processes used when making eligibility determinations are reviewed and approved by a knowledgeable supervisor.	Title/deeds associated with real property purchased with grant funds is maintained in a secure location and access is limited to authorized personnel.
On a monthly basis, the grant supervisor reviews the budget vs. actual report investigating unusual or unexpected variances and documents results of follow-up work performed.		Calculations of amounts to be received for or on behalf of participants are reperformed by supervisor.	
For changes in indirect rates due to new Negotiated Indirect Cost Rate Agreements (NICRAs) or reconciliations between provisional and actual indirect rates, the grant supervisor reviews the journal entry adjusting those costs by re-performing the calculation.	Drawdowns are reviewed/authorized by supervisors to ensure that amount requested minimizes the time elapsing between the transfer of funds from the US Treasury/Pass-Through Entity and their disbursement. (Advance)	Exception/edit reports are reviewed timely to identify potential ineligible participants/payments.	Leases associated with leasehold improvements purchased with grant funds have appropriate language identifying the improvements as federal property.
Journal entries to transfer costs from one project to another are reviewed for appropriateness and approved.	Drawdowns are reviewed by supervisors to ensure available program income, rebates, refunds, contract settlements, audit	Management periodically reviews documents/files/reports to ensure benefits are discontinued timely when eligibility requirements are no	Property and equipment listings associated with federal funds are reviewed periodically by knowledgeable officials to ensure completeness and accuracy.

A. ACTIVITIES ALLOWED OR UNALLOWED B. ALLOWABLE COSTS/COST PRINCIPLES	C. CASH MANAGEMENT	E. ELIGIBILITY	F. EQUIPMENT AND REAL PROPERTY MANAGEMENT
	recoveries, and interest earned is disbursed prior to requesting additional federal funds. (Advance)	longer met, or period of eligibility expires.	
	End of award close-out reconciliations are performed over cumulative program expenditures and requests for federal funds to ensure completeness and accuracy of draws.		Annual analysis of property and equipment dispositions is documented and reviewed for adherence to federal regulations by knowledgeable supervisors.
	Periodic reconciliations of excess draws and interest to be remitted are reperformed by supervisory personnel.		A sample of physical inventory counts are reperformed by a supervisor to ensure accuracy.
	Templates for subrecipient agreements include standard provisions for cash management methodology requirements.		
Individuals who initiate transactions are different from those approving the transactions and those recording the transactions in the general ledger.	Segregation of duties exists between those responsible for processing program expenditures and those processing drawdown/reimbursement requests.	Segregation of duties exists between those determining a participant's eligibility and those reviewing/approving eligibility.	Segregation of duties exists between those accounting for property and those responsible for safeguarding the property.
Where segregation of duties is not practical, management selects and develops alternative control activities.	Where segregation of duties is not practical, management selects and develops alternative control activities.	Where segregation of duties is not practical, management selects and develops alternative control activities.	Where segregation of duties is not practical, management selects and develops alternative control activities.

Principle 10. Design Control Activities: management should design control activities to achieve objectives and respond to risks.

G. MATCHING, LEVEL OF EFFORT, EARMARKING	H. PERIOD OF PERFORMANCE	I. PROCUREMENT AND SUSPENSION AND DEBARMENT	J. PROGRAM INCOME
Management identifies and puts into effect actions needed to carry out specific responses to risks identified in the risk assessment process, such as unallowable funding sources for amounts claimed as match, unsupported or unreasonable valuations of in-kind contributions, unallowable activities/costs, unsupported effort indicators, use of unapplied indirect costs as match without pre-approval, utilization of same data for more than one match when prohibited, failure to track minimum or maximum earmarking criteria, segregation of duties concerns, fraud, etc.	Management identifies and puts into effect actions needed to carry out specific responses to risks identified in the risk assessment process, such as miscoding, in appropriate cost transfers or adjustments for transactions outside the award period, segregation of duties concerns, unauthorized changes to system configurations, fraud, failure to secure approvals or extensions for coding costs outside the original performance period, etc.	Management identifies and puts into effect actions needed to carry out specific responses to risks identified in the risk assessment process, such as unidentified or unaddressed conflicts of interest, fraud, segregation of duties concerns, unauthorized procurements, unauthorized changes to vendor master file, failure to follow documented policies, failure to document history of procurement, failure to document cost/price analysis, inappropriate procurement method used, suspended or debarred vendor/subrecipient contracted with, etc.	Management identifies and puts into effect actions needed to carry out specific responses to risks identified in the risk assessment process, such as failure to identify and use program income, use of incorrect method to use program income, fraud, segregation of duties concerns, etc.
Management reviews applicable award agreements or contracts for specific matching, level of effort, and earmarking requirements including any unique requirements (such as pre-approval by the granting agency to recoup unapplied indirect costs as matching) and documents such features into a grant approval or other grant summary form which is submitted to accounting and/or programmatic personnel, as appropriate for review and approval before being input in the financial system to set up a grant match record or other programmatic tracking system as a profile for the grant.	Management reviews applicable award agreements or contracts for specific period of performance requirements, including any unique provisions about pre-award spending, extensions, and refunds of unobligated cash.	Management creates and requires the use of standard forms and templates for purchase orders, contracts, requests for proposals/bids, cost/price analyses, bid evaluation, etc. Standard documentation protocol for the history of procurements exists including rationale for the method of procurement (micro-purchase, small purchase, sealed bid, competitive proposal, or noncompetitive proposal), selection of the contract type (fixed price, cost reimbursement, etc.), cost/price analysis, basis for contractor selection/rejection, etc.	Management reviews applicable award agreements or contracts for provisions specific to program income, including identifying likely program income based on award purpose and the use of Deduction, Addition, or Cost Sharing/Matching methods for using program income and documents such features into a grant approval form which is submitted to accounting personnel for review and approval before being input into the system as the profile for the grant.
Supervisory review ensures matching contributions are supported by 3rd party evidence, or other procedures are	Supervisors review and approve invoices, cost allocations, efforts of personnel, fringe benefits and	Supervisors review and approve procurement and contracting decisions	On a monthly basis, supervisors review application of program income to the award to ensure that

G. MATCHING, LEVEL OF EFFORT, EARMARKING	H. PERIOD OF PERFORMANCE	I. PROCUREMENT AND SUSPENSION AND DEBARMENT	J. PROGRAM INCOME
performed to ensure they are from non-federal sources and were not used as match for another federally assisted program.	indirect charges to ensure they were incurred during the period of performance.	for compliance with federal and organizational policies.	the proper method was used (Deduction, Addition, or Cost Sharing/Matching), applied correctly and was supported by program income records.
		Management reviews applicable award agreements, contracts, budgets, and other appropriate sources to identify potential covered transactions. Standard forms or templates are used to document verification that parties are not suspended or debarred.	Chart of accounts segregates program income from other income accounts to ensure it is captured completely and accurately.
Supervisors review monthly reporting of cumulative matching, level of effort and earmarking data and resolution of deficiencies, variances or unexpected results is documented.	At the beginning and ending of the period of performance, the grant supervisor reviews activity posted to the federal award investigating any unusual postings, adjustments or variances and documented results of follow-up work performed.		On a monthly basis, recorded program income is reconciled with supporting documentation such as invoices, registration logs, loan ledgers, rent rolls, etc. by a supervisor.
	Journal entries or other adjustments to transfers cost into the federal award costs are reviewed for appropriateness and to ensure costs are within the period of performance.		
		Responsible officials reconcile goods/services received with those procured including evaluating performance in accordance with terms, conditions and specifications of contracts or purchase orders.	
		Responsible officials review and resolve conflicts of interest on a regular basis.	
Segregation of duties exists between those accounting for match, level of effort, and earmarking requirements	Individuals who initiative transactions are different from those approving the transactions	Individuals who initiate procurements are different from those recording the	Individuals who collect cash or other receipts are different from those who deposit receipts, generate

G. MATCHING, LEVEL OF EFFORT, EARMARKING	H. PERIOD OF PERFORMANCE	I. PROCUREMENT AND SUSPENSION AND DEBARMENT	J. PROGRAM INCOME
and those reviewing and approving the reporting of such.	and those recording the transaction in the general ledger.	resulting transactions in the general ledger or making disbursements.	invoices, record general ledger activity, and reconcile the bank statement.
Where segregation of duties is not practical, management selects and develops alternative control activities.	Where segregation of duties is not practical, management selects and develops alternative control activities.	Where segregation of duties is not practical, management selects and develops alternative control activities.	Where segregation of duties is not practical, management selects and develops alternative control activities.

Principle 10. Design Control Activities: management should design control activities to achieve objectives and respond to risks.

L. REPORTING	M. SUBRECIPIENT MONITORING	N. SPECIAL TESTS AND PROVISIONS
Management identifies and puts into effect actions needed to carry out specific responses to risks identified in the risk assessment process, such as lack of current knowledge of reporting requirements, data input errors, segregation of duties concerns, fraud, inconsistent application of accounting standards, lack of documented bridge between source data and final reports for any reconciling items and lack of or inappropriate source data or analysis used as the basis of performance or special reporting.	Management identifies and puts into effect actions needed to carry out specific responses to risks identified in the risk assessment process, such as missing federal and pass-through entity requirements in subawards, risks inherent with specific subrecipients, inappropriate/ineffective subrecipient monitoring, etc.	Illustrative internal controls cannot be provided because special tests and provisions are unique to the various federal programs.
Management reviews applicable award agreements or contracts for specific reporting requirements and establishes a reporting calendar for review and approval.	Subrecipient agreements are reviewed and approved by knowledgeable supervisors to ensure all compliance requirements are captured, that information is consistent between pass-through entity records and the subaward, and that all required elements are included.	
	Management tracks subaward notifications and maintains an inventory of executed subrecipient agreements.	
Knowledgeable supervisors review and approve reports for completeness and accuracy, including comparing to source documentation (general ledger, third party evidence or other reliable records) and any reconciliations between source data to final reporting.	Knowledgeable supervisor reviews subrecipient risk assessments to ensure they address compliance risks and Uniform Guidance requirements and approves individual subrecipient monitoring plans.	
Management periodically reviews the completeness and accuracy of and adherence to the reporting calendar.	Management requires the use of a standard template for use for all sub recipient agreements inclusive of all required elements outlined in Uniform Guidance.	
	Documentation and conclusions of results of subrecipient oversight activities including the items below are review by supervisory personnel: • Award authorization • Site visits • Financial performance, monitoring, and/or audit reports • Grant budgets and advance or reimbursement requests	

L. REPORTING	M. SUBRECIPIENT MONITORING	N. SPECIAL TESTS AND PROVISIONS
	• Technical assistance provided • Assessment of findings, corrective action, and management's decision as applicable	
	Supervisors periodically reconcile subrecipient monitoring calendar and planed monitoring activities to actual monitoring activities to ensure monitoring is taking place as planned.	
Segregation of duties exists between those preparing and those reviewing and filing required reports	Segregation of duties exist between those performing the monitoring and those approving the conclusions made about the subrecipient' s compliance.	
Where segregation of duties is not practical, management selects and develops alternative control activities.	Where segregation of duties is not practical, management selects and develops alternative control activities.	

Principle 11. Design Activities for the Information System: management should design the entity's information system and related control activities over technology to achieve objectives and respond to risks.

A. ACTIVITIES ALLOWED OR UNALLOWED B. ALLOWABLE COSTS/COST PRINCIPLES	C. CASH MANAGEMENT	E. ELIGIBILITY	F. EQUIPMENT AND REAL PROPERTY MANAGEMENT
The information system configuration prevents expenditures from being recorded to the expenditure categories in excess of the budget without appropriate review and approval.		The information system configuration prevents a participant from being approved as eligible until all criteria required by the program requirements are input.	
The information system configuration is set up such that invoices, payroll authorization forms and time sheets are only routed to personnel who have the authority to approve them for coding and payment.		The information system is configured so that amounts to be received for or on behalf of a participant conform with minimums, maximums and other criteria as set forth by the grant or contract.	The information system is configured to track federal property and equipment separate from non-federal property and equipment.
The information system is configured to only allow transactions posted to the project account that are coded to pre-selected expense categories.		The information system is set up such that the approval of a participants' eligibility is routed to personnel who have the authority to approve.	
			Periodic reconciliation of assets within the information system is performed between the general ledger/inventory records.
Access to processes and control activities in information systems specific to allowable activities/costs is limited to authorized individuals.	Access to the external electronic drawdown information system(s) is (are) restricted to authorized individuals.	Access to processes and control activities in information systems specific to eligibility is limited to authorized individuals.	Access to information systems used to track property is limited to authorized individuals.
Changes to the grant profile within the system are restricted to authorized personnel.			

Principle 11. Design Activities for the Information System: management should design the entity's information system and related control activities over technology to achieve objectives and respond to risks.

G. MATCHING, LEVEL OF EFFORT, EARMARKING	H. PERIOD OF PERFORMANCE	I. PROCUREMENT AND SUSPENSION AND DEBARMENT	J. PROGRAM INCOME
The information system configuration prevents amounts or other data from being applied as match for more than one federal funding source.	The information system configuration prevents expenditures from being recorded to the federal award outside the period of performance.		
	The information system configuration is set up such that invoices, payroll authorization forms and time sheets are routed only to personnel who have the authority to approve them for coding and payment.	The information system (procurement card system, purchase order system, etc.) is configured for purchasing/approval hierarchy and any quantity or monetary limits depending on the purchasing authority of the user.	
The information system is configured such that the grant match expense record is linked to original grant expense record and only allows transactions posted to the same pre-selected expense categories.		The information system is configured to only allow use of pre-approved vendors in a vendor master file.	The information system is configured to only allow application of program income based on the method outlined in the grant approval form.
Access to information system used to track matching, matching and level of effort is limited to authorized individuals.	Access to processes and control activities in information systems specific to period of performance is limited to authorized individuals.	Access to processes and control activities in information systems specific to procurement such as the vendor master file is limited to authorized individuals.	Access to processes and control activities in information systems specific to applying program income to grants and capturing program income are restricted to authorized personnel.
Changes to the grant profile within the system are restricted to authorized personnel.	Changes to the grant profile within the system are restricted to authorized personnel.	Changes to the vendor master file are restricted to authorized personnel.	Changes to the grant profile within the system are restricted to authorized personnel.

Principle 11. Design Activities for the Information System: management should design the entity's information system and related control activities over technology to achieve objectives and respond to risks.

L. REPORTING	M. SUBRECIPIENT MONITORING	N. SPECIAL TESTS AND PROVISIONS
Access to processes and control activities information in systems specific to gathering information for reporting is limited to authorized individuals.		
Access to external information systems used to report is limited to those preparing and reviewing reports.		

Principle 12. Implement Control Activities: management should implement control activities through policies.

A. ACTIVITIES ALLOWED OR UNALLOWED B. ALLOWABLE COSTS/COST PRINCIPLES	C. CASH MANAGEMENT	E. ELIGIBILITY	F. EQUIPMENT AND REAL PROPERTY MANAGEMENT
Written policies/procedures exist outlining processes and control activities for costs coded to federal awards (award set- up, cost of personnel and fringe, direct costs other than personnel, indirect costs, etc.).	Written policies/procedures exist outlining processes and control activities for requesting advances/reimbursement, ensuring program income and other refunds/rebates are utilized before drawing down funds, monthly reconciliations are performed and monitoring subrecipients for cash management compliance.	Written policies/procedures exist outlining processes and control activities for determining eligibility of participants and amounts awarded, as applicable.	Written policies/procedures exist outlining processes and control activities for: (1) acquiring, safeguarding, maintaining, and disposing of federal equipment and real property; (2) ensuring all property acquired with federal awards, including capitalized leasehold improvements, is detailed including the source of funds used to purchase the property (including the Federal Award Identification Number or FAIN), date of acquisition, cost, date of disposition, a description of the property (including serial number), the condition of the property, and the location of the property; (3) ensuring reconciliations of physical property to the federal award agreements is performed at least annually; and (4) identifying dispositions and to ensure compliance with disposition instructions during the award and upon close out.
Management establishes responsibility and accountability for control activities with management (or other designated personnel) of the unit or function in which the relevant risks reside.	Management establishes responsibility and accountability for control activities with management (or other designated personnel) of the unit or function in which the relevant risks reside.	Management establishes responsibility and accountability for control activities with management (or other designated personnel) of the unit or function in which the relevant risks reside.	Management establishes responsibility and accountability for control activities with management (or other designated personnel) of the unit or function in which the relevant risks reside.
Responsible personnel perform control activities in a timely manner as defined by policies and procedures.	Responsible personnel perform control activities in a timely manner as defined by policies and procedures.	Responsible personnel perform control activities in a timely manner as defined by policies and procedures.	Responsible personnel perform control activities in a timely manner as defined by policies and procedures.
Responsible personnel investigate and act on matters identified as a result of executing control activities.	Responsible personnel investigate and act on matters identified as a result of executing control activities.	Responsible personnel investigate and act on matters identified as a	Responsible personnel investigate and act on matters identified as a result of executing control activities.

A. ACTIVITIES ALLOWED OR UNALLOWED B. ALLOWABLE COSTS/COST PRINCIPLES	C. CASH MANAGEMENT	E. ELIGIBILITY	F. EQUIPMENT AND REAL PROPERTY MANAGEMENT
		result of executing control activities.	
Competent personnel with sufficient authority perform control activities with diligence and continuing focus.	Competent personnel with sufficient authority perform control activities with diligence and continuing focus.	Competent personnel with sufficient authority perform control activities with diligence and continuing focus.	Competent personnel with sufficient authority perform control activities with diligence and continuing focus.
Management periodically reviews control activities to determine their continued relevance and refreshes them, as necessary.	Management periodically reviews control activities to determine their continued relevance and refreshes them, as necessary.	Management periodically reviews control activities to determine their continued relevance and refreshes them, as necessary.	Management periodically reviews control activities to determine their continued relevance and refreshes them, as necessary.

Principle 12. Implement Control Activities: management should implement control activities through policies.

G. MATCHING, LEVEL OF EFFORT, EARMARKING	H. PERIOD OF PERFORMANCE	I. PROCUREMENT AND SUSPENSION AND DEBARMENT	J. PROGRAM INCOME
Written policies/procedures exist outlining processes and control activities specific to matching, level of effort and earmarking and including acceptance support for in-kind contributions used as match and an adherence to an organization's processes and control activities for Activities Allowed or Unallowed and Allowable Costs/Cost Principles, as appropriate.	Written policies/procedures exist outlining process and control activities for costs coded to federal awards ensuring that such costs are applied within the period of performance including the process/controls for securing approvals for pre-award spending, as applicable, and the process/controls to ensure that liquidation (payments) made at the end of the period are made within the allowed time period.	Written policies/procedures exist to address Uniform Guidance requirements such as conflict of interests, free and open competition regulations, and solicitation procedures. With respect to suspension and debarment, written policies exist outlining processes and control activities to verify organizations are not contracting or sub-awarding under covered transactions with parties who are suspended or debarred. Policies outline the frequency with which verification takes places, how that verification is documented and the acceptable methods of verification (checking the EPLS system, collecting a certification from the party or adding a clause/condition to the covered transaction with the party).	Written policies/procedures exist outlining processes and control activities for program income inclusive of identifying the proper method (Deduction, Addition, or Cost Sharing/Matching), recording program income completely and accurately and using program income in accordance with the specified method.
Management establishes responsibility and accountability for control activities with management (or other designated personnel) of the unit or function in which the relevant risks reside.	Management established responsibility and accountability for control activities with management (or other designated personnel) of the unit or function in which the relevant risks reside.	Management establishes responsibility and accountability for control activities with management (or other designated personnel) of the unit or function in which the relevant risks reside.	Management establishes responsibility and accountability for control activities with management (or other designated personnel) of the unit or function in which the relevant risks reside.
Responsible personnel perform control activities in a timely manner as defined by policies and procedures.	Responsible personnel perform control activities in a timely manner as defined by policies and procedures.	Responsible personnel perform control activities in a timely manner as defined by policies and procedures.	Responsible personnel perform control activities in a timely manner as defined by policies and procedures.
Responsible personnel investigate and act on matters identified as a result of executing control activities.	Responsible personnel investigate and act on matters identified as a result of executing control activities.	Responsible personnel investigate and act on matters identified as a result of executing control activities.	Responsible personnel investigate and act on matters identified as a result of executing control activities.
Competent personnel with sufficient authority perform	Competent personnel with sufficient authority perform	Competent personnel with sufficient authority perform control activities with diligence and continuing focus.	Competent personnel with sufficient authority perform control activities with diligence and continuing focus.

G. MATCHING, LEVEL OF EFFORT, EARMARKING	H. PERIOD OF PERFORMANCE	I. PROCUREMENT AND SUSPENSION AND DEBARMENT	J. PROGRAM INCOME
control activities with diligence and continuing focus.	control activities with diligence and continuing focus.		
Management periodically reviews control activities to determine their continued relevance and refreshes them, as necessary.	Management periodically reviews control activities to determine their continued relevance and refreshes them, as necessary.	Management periodically reviews control activities to determine their continued relevance and refreshes them, as necessary.	Management periodically reviews control activities to determine their continued relevance and refreshes them, as necessary.

Principle 12. Implement Control Activities: management should implement control activities through policies.

L. REPORTING	M. SUBRECIPIENT MONITORING	N. SPECIAL TESTS AND PROVISIONS
Written policies/procedures exist outlining processes and control activities for ensuring reporting to federal awarding agencies and pass-through entities is complete and accurate.	Written policies/procedures exist outlining processes and control activities for oversight of subrecipients.	
Management establishes responsibility and accountability for control activities with management (or other designated personnel) of the unit or function in which the relevant risks reside.	Management establishes responsibility and accountability for control activities with management (or other designated personnel) of the unit or function in which the relevant risks reside.	
Responsible personnel perform control activities in a timely manner as defined by policies and procedures.	Responsible personnel perform control activities in a timely manner as defined by policies and procedures.	
Responsible personnel investigate and act on matters identified as a result of executing control activities.	Responsible personnel investigate and act on matters identified as a result of executing control activities.	
Competent personnel with sufficient authority perform control activities with diligence and continuing focus.	Competent personnel with sufficient authority perform control activities with diligence and continuing focus.	
Management periodically reviews control activities to determine their continued relevance and refreshes them, as necessary.	Management periodically reviews control activities to determine their continued relevance and refreshes them, as necessary.	