Departmental Internal Control Plan Outline

I. Control Environment (1 page)

- A. Commitment to controlling risk
- B. Supervision and Training
- C. Organizational Structure and Chain of Command
- D. Identify the Internal Control Officer and sub-unit personnel with delegated responsibility

II. Risk Assessment Process (1 page) (Not the results of the risk assessment)

- A. Formal Process conducted to identify and address risk
- B. Plan for annual risk assessment
    1. Personnel/positions involved
    2. Forum and/or means of communication
    3. Timing of the process generally

III. Financial Cycles (Control Activities, Information and Communication)

- Risks, key controls addressed for each cycle
- Procedures charted/documented for each cycle (or referenced)

A. Cash Receipts Cycle

Please complete this section only if your agency/bureau/department maintains and accounts for cash sales and/or cash receipts. Cash means currency, checks, money orders, EFT's and wire transfers. Please include a brief overview narrative that describes the general nature of the cash sales/cash receipts and the general overall control environment if you think it would be helpful and would improve the value of this documentation.

Risk: Cash receipts lost or stolen. There is always a high risk of theft when handling cash and strong controls are essential to safeguard cash receipts. These controls help ensure that cash is brought under control immediately upon receipt and that procedures are in place at each step in the process to ensure the cash is properly secured and accounted for.

Key Controls:

1. Mail cash receipts log kept by non-accounting personnel.
2. If cash registers are used, a person independent of the cashiers reviews register tapes daily for red flag items such as voids, refunds, no sales and discounts.
3. Cash log/resister totals/manual receipts reconciled to deposits.
4. Controllable licensing/authorizing documents accounted for and reconciled with cash receipts. For example, with cash sales of licenses, someone makes sure that the number of licenses sold multiplied by the cost per license equals the total cash received.
5. Communication with customers/taxpayers regarding payment and balances.
6. Timely deposits with supervisory review.
7. Physical security of receipts at all stages of handling and processing.
8. Restrictive endorsement applied to checks immediately upon receipt.
9. Manual receipt forms are sequentially numbered, tracked and periodically accounted for.

10. Manual receipt forms physically secure at all times.
11. Receivables system adequately designed and operated to offer detection and prevention of lost or stolen cash receipts.
12. Payee is "Treasurer, State of Maine."

Risk: Cash receipts recorded incorrectly in the accounting system. It is important to maintain the integrity of the accounting system involved in recording cash receipts. Poor accounting controls provide the opportunity for someone to misappropriate cash receipts without the risk of detection.

Key Controls:

1. Detailed records kept of individual receipts (cash log).
2. Period ending cutoff procedures ensure recognition in correct period.
3. Procedures exist to ensure that all deposited receipts are recognized in the accounting system.
4. Reconciliation between federal cash draw system information and State accounting system information.
5. Management compares budgeted receipts to actual receipts periodically.

Risk: Reconciliation insufficient to detect and deter lost or stolen receipts and to ensure receipts are properly recorded. Accurate and timely cash reconciliations are a critical control because they provide an opportunity to compare the accounting records with a reliable and independent source.

Key Controls:

1. Periodic reconciliation performed and reviewed in a timely manner.
2. Standardized reconciliation procedures exist and are communicated to the appropriate staff.
3. Reconciliation documentation is reviewed by supervisor or other staff independednt of the cash receipts function.
4. Reconciliation documentation is retained for appropriate time period.
5. Variances are pursued and results acted upon in a rigorous and timely manner.
6. Reconciliation performed by non-custodial staff.

Risk: Segregation of duties insufficient to prevent and detect lost or stolen receipts and to ensure receipts are properly recorded. If only one person is involved in the cash receipts cycle, it is easy to manipulate the process to allow cash thefts to go undetected. Segregation of duties helps ensure that one person does not have complete control of the physical cash and its accounting.

Key Controls:

1. In relation to cash receipts, the following functions are performed by separate individuals and, ideally, under separate supervision:
    a. Physical custody of cash.
    b. Accounting/recording of cash receipts.
    c. Reconciliation of accounting records to bank information and cash log (and subsidiary system if applicable).

B. Revenue/Receivables Cycle

Please complete this section only if your agency/bureau/department maintains and accounts for revenues or accounts receivable. Please include a brief overview narrative that describes the general nature and source of the revenues and accounts receivable and the general overall control environment if you think it would be helpful and would improve the value of this documentation.

Risk: Invoice errors (incorrect charges) result in excess/loss of revenue and inaccurate accounting. These controls will help ensure that invoices are prepared accurately which will result in revenue being collected and reported properly.

Key Controls:

1. Computerized sales order system exists for direct customer input.
2. Adequate procedures exist for timely and accurate calculation and updating of rates and prices.
3. Sales orders are independently verified for accuracy.
4. Invoice is created and receivable booked as soon as possible after delivery of goods or performance of services.
5. Analytical review procedures (comparison with prior period billings, etc.) in place to detect material billing errors.
6. The shipping details are compared and matched to the invoice/sales details.

Risk: Improper revenue receivables accounting policies and practices result in misstatement of account balances. These controls will help ensure that there is adequate accountability and that accounts receivable and related accounts are reported properly.

Key Controls:

1. Source documents supporting sales/accounts receivables postings are retained.
2. Policies and procedures ensure accurate posting of revenue and receivables at period end (period end cut off).
3. Accuracy of invoices is ensured prior to communicating billing to customer.
4. Ability to perform account adjustments, refunds, write-offs, and allowance for bad debt is limited and separate from other receivables functions.
5. Authorization/approval procedures are adequate to ensure accuracy and legitimacy of adjustments.
6. Access to the accounts receivable activity is limited to authorized personnel.
7. Subsidiary accounts receivable ledger is periodically reconciled to the control account monthly.

Risk: Policies and procedures insufficient to collect amounts due in a timely manner.

Key Controls:

1. Written collection and credit policies exist that address:
   a. limiting sales to delinquent accounts.
   b. reviewing aged trial balance monthly.

c. sending statements to customers monthly.
d. collection activity on delinquent accounts.
e. legal remedies pursued.

Risk: Inadequate segregation of duties. These controls will help deter and detect inappropriate account activity including simple mistakes and overt fraud.

Key Controls:

1. Separate personnel are handling the billing, collection, account adjustment duties.
2. Supervisor reviews activities associated with the billing, collection, account adjustment duties.
3. The following duties generally performed by different people:
   a. Billing, collecting, and cash application of accounts receivable funds.
   b. Maintaining detail accounts receivable records, collecting, and general ledger posting.
   c. Writing off or adjusting to accounts receivable and the maintenance of accounts receivable records.
   d. Investigating disputes with billing amounts and the maintenance of accounts receivable records.
   e. Reconciling, investigating reconciling items and posting detail accounts receivable records.

C. Expenditure/Accounts Payable Cycle

Please include a brief overview narrative that describes the general nature of the expenditure/accounts payable activities and the general overall control environment if you think it would be helpful and would improve the value of this documentation.

Risk: State resources lost or stolen through unauthorized/improper expenditures. Adequate controls over the expenditure process are essential in preventing and detecting fraud and other improprieties involving State resources.

Key Controls:

1. Policies and procedures adequate to accurately determine program recipient eligibility (both state and federal).
2. Payables reviewed and approved prior to payment for the following:
   a. Payment within budgetary parameters.
   b. Goods/services/benefits allowable and authorized per the appropriation.
   c. Expenditure is necessary and reasonable.
   d. Vendor is legitimate and accurately reflected on the invoice.
   e. Payment amount is supported – quatities, unit prices, extensions and totals are correct.
   f. Voucher material includes an original invoice as required.
   g. Agreement with contract terms.
   h. Acknowledgement of receipt of goods or services.
3. Procedures applied consistently to prevent duplicate payments.
4. Controls over vendor file include:
   a. Limited access to vendor file and restricted ability to alter the file.

    b. Rigorous approval process for new vendors and vendor record changes.
    c. Periodic identification of inactive vendors to ensure all are made inactive in the system.
5. In cases where original invoices are not used, other policies and procedures to ensure legitimacy of all components of the payment.

Risk: The State does not receive the best possible service, quality of goods, price, contract terms and/or protection from liability. The state is not in compliance with laws and regulations.

Key Controls:

1. Policies and procedures ensure involvement of the Division of Purchases as required by law.
2. Where agency exercises significant control over the procurement process, State purchasing requirements are followed. These include:
    a. Competitive bidding/quotes.
    b. No conflict of interest (real or the appearance of conflict).
    c. Sole source justification documented.
    d. Standard riders included in contract.
    e. Grant restrictions accommodated.
    f. Statewide contracts/purchase agreements taken into consideration.
    g. Process involves all approval levels as appropriate.
    h. Fairness to all potential bidders ensured.
    i. Prior contractors solicited for bids.

Risk: Accounting for expenditures, payables, encumbrances and disbursements inadequate for the purposes of accountability, financial reporting, compliance with laws and regulations and prevention of loss of assets.

Key Controls:

1. Coding reviewed and approved for the following attributes:
    a. Funding source (fund and program).
    b. Accounting period (year-end cutoff).
    c. Relief of encumbrance (contract identification).
    d. Grant identification for federal and State reporting purposes and allowability determination.
    e. Object Coding for description of expenditure items, procurement treatment, tax and other reporting purposes, application of travel policies, capital asset recognition and other policy requirements.
2. Purchase orders periodically reviewed for unresolved open items.
3. Payables are systematically managed and controlled for the purposes of efficiency, ensuring payment and credit for payment, receipt of discounts for early payment and management of budgetary resources.
4. Expenditure Journal Vouchers are supported by adequate documentation with meaningful review and approval.
5. Account structure sufficiently designed and maintained to accomplish all reporting and operational objectives.

Risk: Resources lost or stolen through improper or fraudulent cash disbursements (applicable for agencies to the extent they handle State Treasury checks or cut their own checks)

Key Controls:
1. Staff handling disbursements are separate from those handling payables, receivables, bank reconciliation and other incompatible duties.
2. Physical security over check writing/printing facilities, material and capabilities (including check stock) ensured.
3. Bank statements reconciled periodically in a timely manner.
4. Petty cash records periodically reconciled to authorized balance.
5. Reconciliation variances rigorously pursued in a timely manner.
6. Documentation of the expenditure of petty cash advances is required (receipts returned by employees to show how advances were spent).
7. Outstanding advances are tracked, aged and pursued for expenditure documentation.
8. Changes to authorized petty cash balance are approved by the Office of the State Controller.
9. Petty cash fund is kept physically secure at al times.

D. Inventory Cycle

Please complete this section only if your agency/bureau/department maintains and accounts for a significant inventory of goods, parts or supplies. This does not include normal office supplies. Please provide an overview narrative that describes the general nature of the inventory and the general overall control environment.

Risk: Inventory items lost, damaged or stolen as a result of poor physical security
Strong physical security will help reduce the state's exposure to lost, stolen or damaged inventory.

Key Controls:
1. Physical access to inventory restricted to operational need.
2. Environmental controls adequate to protect from physical damage.
3. Alarm/electronic access logging system in use.
4. Adequate insurance coverage exists and is periodically reviewed.
5. Video monitoring/recording of restricted areas.
6. Employees bonded.
7. Periodic physical inventory conducted compared to accounting records and variances pursued

Risk: Inaccurate recording of physical receipt and shipment/delivery of goods causes errors in perpetual inventory. The receiving and shipping functions are subject to human error in the counting and recording of activity. These controls help ensure that the accounting records accurately reflect the actual physical movement of the inventory.

Key Controls:

1. Purchase order information is compared with receipt document.
2. Physical quantities received are matched with the receipt document.
3. Standard procedures exist for processing overage, shortage and damaged goods.
4. A second person compares the shipping document with physical quantities shipped to verify accuracy.

Risk: Improper inventory levels (excessive and/or deficient) cause inefficiencies in inventory management. These controls help the state maintain an optimum level of inventory that balances the cost of maintaining and managing inventory with the risk of not meeting the customer’s needs due to lack of stock availability. Too much inventory increases costs related to storage, insurance and handling. Too little inventory can result in a failure to have requested stock on hand.

Key Controls:

1. Methodology exists for determining appropriate inventory level, reorder point and amount to order.
2. Periodic review of inventory turnover rate to evaluate inventory obsolescence.
3. Standard procedures exist for ongoing adjustment of perpetual inventory. Staff make required adjustments as soon as inventory discrepancies are identified and do not wait until completing an annual inventory.
4. Management investigates and resolves the causes of inventory discrepancies.

Risk: Inaccurate inventory valuation causes errors in financial statement presentation
These controls help ensure that the financial statement presentation of the inventory value is consistent, accurate and in compliance with Generally Accepted Accounting Principles.

Key Controls:

1. Periodic physical inventory conducted and perpetual inventory adjusted accordingly with an explanation of variances pursued and documented.
2. Controller’s required physical inventory procedures followed rigorously.
3. Appropriate inventory valuation methodology consistently applied (LIFO, FIFO, average cost, specific identification).
4. System exists to accurately track historical cost of all inventory items.
5. Accurate automated methodology for extension and footing of individual items exists.
6. Analytical review of inventory statistics conducted (gross profit percentage, turnover, variance with prior year, etc.)

E. Fixed Assets Cycle

Please complete this section only if your agency/bureau/department maintains and accounts for fixed assets. Please include a brief overview narrative that describes the general nature of the fixed assets and the general overall control environment.

Risk: Fixed asset, betterment, improvement, repair/maintenance/construction-in-progress, intangible, capital lease or operating lease is misidentified and errors are made in the determination of cost basis, useful life, salvage value and depreciation method. Identifying the proper expenditure type and depreciation components will ensure the state's financial statements will be accurate with respect to fixed asset accounting.

Key Controls:
1. 1. Adequate staff training to ensure proper accounting treatment of capital assets
2. Review and approval process of payment vouchers includes the accounting implications for capital assets.

Risk: Inadequate physical security of assets. Physically securing the state's assets will prevent them from being lost, stolen or damaged.

Key Controls:
1. Assets secured within locked facilities.
2. Mobile items (e.g. equipment/vehicles) are attended for and secured at all times.
3. Alarm system to protect certain assets.
4. Access to assets is limited to personnel needing access to the assets.
5. Adequate insurance for all assets.

Risk: Non-Compliance with physical inventory procedures may allow for unintended losses. Taking a periodic physical inventory will ensure the physical accountability of the state's fixed assets.

Key Controls:
1. Compliance with state accounting policy manual (Sec. 35.10.54) The following characteristics are included in the policy:
   a. Annual physical inventory/Revolving basis.
   b. Inventory performed by personnel with no direct responsibility.
   c. Physical inventory instructions distributed and explained.
   d. Physical inventory reconciled to general ledger.
   e. Certification of the physical inventory.
   f. Inventory records maintained for three years.

Risk: Improper disposal of assets may result in the state not obtaining the best possible price and/or a consistent disposition of the assets. Using the state's surplus property agency will ensure a consistent methodology in disposing of the state's fixed assets.

Key Controls:
1. Surplus Property agency involved in asset disposal as required by state law

F. Financial Reporting

Risk: Accruals, deferrals and adjustments are not identified for financial reporting purposes. Identifying the proper accruals, deferrals and adjustments will help ensure financial statement accuracy.

Key Controls:
1. Past and current closing package instructions are used by financial managers to identify reporting requirements.
2. Financial Reporting liaisons are consulted regarding requirements and the adequacy of off-book systems to comply with the requirements.

Risk: Reported accruals and deferrals are inaccurate and/or untimely. Reporting proper accruals, deferrals and adjustments will help ensure financial statement accuracy.

Key Controls:
1. Year end reporting schedule is incorporated into the schedules of staff responsible for reporting.
2. Accrual/deferral/adjustments subsidiary system adequately designed to accumulate amounts throughout the year as needed.
3. Year-end summary amounts are queried and developed from subsidiary system by staff knowledgeable of requirements.
4. Information submitted to the OSC is reviewed and approved by financial management based on adequate supporting documentation.

IV. Federal Compliance (Control Activities, Information and Communication)

- Separate treatment of programs as necessary, consolidated as appropriate
- Procedures charted/documented as necessary for each compliance area
- Provide coverage of all federal programs for which expenditures exceeded $4 million on the most current Schedule of Expenditures of Federal Awards.

Introduction
1. Program CFDA numbers and titles covered by this section.
2. Federal guidance referenced.

A. Allowability
Risk: Activities, direct costs or indirect costs that are supported with federal grant resources are not allowed under the grant.

Key Controls:
1. Knowledgeable staff and management identify and communicate guidance on allowability available in CFR, grant documentation, and other federal guidance.
2. Requirements are incorporated into procedures for financial cycles as appropriate.
3. Account structure includes segregation of expenditures by federal program sufficient to identify programs for allowability approval and to facilitate federal reporting.
4. Procurement/payables cycle procedures include routing of federal program payment vouchers to personnel knowledgeable about allowability.
5. Personal services charges to grant accounts are pre-approved and reflect time spent working on the program or approved cost allocation.
6. Review of grant revenue transfers includes review for allowability.
7. Analytical review of federal accounts is conducted periodically to identify potentially material issues.
8. Ongoing comparison between budgeted and actual grant expenditures is made to detect potentially material issues.
9. Final Mfasis transaction approval is performed by financial personnel and the personnel are under financial management supervision.
10. RFPs, vendor contracts and subrecipient grant agreements are written by staff knowledgeable of federal allowability requirements.
11. Approval of contracts and agreements includes review of allowability of goods and services under the federal grant supplying the funding.
12. All journals undergo allowability approval/review process based on adequate, supporting documentation.

Risk: Cost allocation methodology not approved by feds or not appropriate for all grants affected.

Key Controls:
1. The Departmental Cost Allocation Plan is developed according to federal guidance, including A-87, by staff knowledgeable about plan requirements and allowable costs.
2. The plan is revised and submitted to the federal agency annually.
3. The plan is implemented for use in allocation calculations only upon approval of the federal agency.

Risk: Cost allocation methodology applied incorrectly/inconsistently.

Key Controls:

1. Calculations for allocation journals are standardized and automated to the extent possible.
2. Automated calculation tools are tested for accuracy.
3. Meaningful review occurs prior to approval of allocation journals and other transactions reflecting allocation.
4. Changes and new plans approved by the feds are summarized and communicated in writing to all managers, accountants and financial supervisors with associated responsibilities.
5. New employees are trained in currently used cost allocation plan and in subsequent changes.
6. Written guidance is updated regularly and made available to involved personnel.

B. Cash Management

Risk: Incorrect cash management methodology used or correct method inconsistently applied to draw down federal cash.

Key Controls:

1. Methodologies communicated by the State Treasurer for specific programs named in the TSA are forwarded to appropriate personnel upon receipt.
2. Mechanism for compliance with TSA methodology is approved by financial management before implementation.
3. Standard Part B program methodology (seven day rule) and mechanism for compliance with the methodology are communicated to appropriate personnel.
4. Cash draw down mechanism is directly tied to cash need as measured by expenditures (prospective or past).
5. Federal cash accounts are regularly monitored for excessive (or deficient) balances.
6. Supervisory review occurs at time of CR approval to evaluate application of cash drawdown methodology.
7. Analytical review of methodology application occurs periodically.
8. Timely periodic analytical review of budgetary, expenditure and revenue accounts are performed to ensure that future funding needs will be met.

Risk: Subrecipients of federal awards do not minimize the time that federal cash is held.

Key Controls:

1. Cash management requirements are communicated to subrecipients.
2. Payment scheduling negotiated with subrecipients reflects requirement to advance funds based on immediate cash needs.
3. Subrecipients are required to periodically report cash balances and projected cash needs.
4. Periodic cash advance payments to subrecipients are based on immediate cash need as informed by subrecipient reporting.

Risk: (Reimbursement Basis Only) Funds are not expended before receipt of federal reimbursement.

Key Controls:

1. Drawdown methodology includes step of querying expenditures from MFASIS warehouse prior to draw down.
2. Drawdown methodology includes supervisory review prior to actual drawdown. Review includes check for evidence of expenditures predating drawdown.

Risk: (When estimated revenue is recognized in program account) Federal funds are not drawn down in a timely manner to reimburse the State.

Example Key Controls:

1. Drawdown methodology adequately designed to perform timely drawdown.
2. Supervisory review/approval of CR includes consideration of the timing of the cash drawdown.
3. Analytical review of methodology application occurs periodically.

C. Davis-Bacon

Risk: Contractors do not pay their employees the prevailing wage rate.

Key Controls:

1. RFPs, contracts, wage rate postings on job sites, and other means of communication with contractors include general Davis Bacon requirements as well as specific wage rate requirements as appropriate.
2. Payroll certifications are required of contractors and these certifications are reviewed by department personnel. Action is promptly taken in cases of vendor noncompliance.
3. Department personnel conduct interviews of vendor employees to ensure compliance. Action is promptly taken in cases of vendor noncompliance.

D. Eligibility

Risk: Ineligible individuals or organizations receive program assistance.

Key Controls:

1. Eligibility criteria are derived from federal guidance by management or under managerial supervision and federal guidance is monitored for relevant changes.
2. Supervision ensures that application of eligibility determination criteria is performed in a manner consistent with program regulations. Supervisors review eligibility determination for each application and/or on a sample basis.
3. Training, adequate supervision and use of checklists and automated processes provide guidance in the eligibility determination process.
4. Before implementation, automated processes and manual checklist are tested for accurate determination outcomes and ease of use.
5. Information obtained from clients and used in the eligibility determination process is corroborated (pay stub copies, contact with landlords, income tax information, etc.).
6. Periodic eligibility re-determinations are performed in accordance with program requirements.
7. Periodic case review or case management software identifies recipients who become ineligible due to the passage of time.

Risk: Incorrect amounts provided to eligible recipients.

Key Controls:

1. Supervisory review of payments occurs on at least a periodic basis.
2. Tests of automated payment processes are performed to ensure that payment amounts correctly reflect eligibility determinations.
3. Analytical review provides assurance of the correctness of amounts paid at a summary level.

E. Matching, Level of Effort and Earmarking

Risk: The Department does not meet its matching, level of effort and/or earmarking requirements within the time period required.

Key Controls:

1. Requirements, and changes to requirements, are identified and communicated in writing to personnel. Training occurs as necessary for new and current staff.
2. Account structure and/or subsidiary system is sufficient to track the agency's progress toward meeting these requirements.
3. Progress toward meeting requirement is actively tracked and success or failure is determined at period end.
4. Budgets are adequate to meet these requirements.

F. Period of Availability

Risk: Funds expended, or obligated for expenditure, outside of the period for which the funds were granted.

Key Controls:

1. Realistic budgetary and other planning practices facilitate expending funds in the correct period. Sufficient allocation is therefore available to expend the full grant award.
2. End of grant period cut-off activities and review processes provide assurance that funds are expended in the correct period.
3. Expenditure approval process includes a review of proper grant period coding.

G. Procurement and Suspension Debarment

Risk: State procurement rules are not followed for federally funded expenditures and contracts.

Key Controls:

1. Except where varying conditions apply for contract riders (Davis Bacon, Suspension and Debarment, etc.), State procurement rules are applied in the exact same manner to both federal and State funded expenditures and contracts.

Risk: The department contracts with a person or entity that is suspended or debarred

Key Controls:

1. Contract rider covering these requirements is included in all federally funded contracts.
2. Vendors sign and submit a certification that they are not suspended or debarred.
3. Department personnel check the federal online list of suspended and debarred parties to ensure that the vendor with whom they are doing business is not suspended or debarred.

H. Program Income

Risk: Program income is not used in accordance with program requirements.

Key Controls:

1. Requirements for proper collection and use of program income are identified in federal guidance and communicated to personnel.
2. Account structure and transaction coding procedures are sufficient to specifically identify program income and its subsequent expenditure.
3. Approval/review of expenditures and cash draw downs includes consideration of the proper use of program income.

I. Reporting

Risk: Reports are not filed in a timely manner or not at all.

Key Controls:

1. Management identifies reporting requirements in federal guidance and through communication with federal oversight personnel.
2. Both financial/program managers and staff responsible for completion of reports schedule report submission deadlines on Outlook calendars with pop-up reminders.
3. Quarter ending review checklists for the federal program include items for each required report.
4. The federal oversight agency communicates positive confirmation of the receipt and adequacy of required reports.

Risk: Filed reports are inaccurate or incomplete.

Key Controls:

1. Account structure is sufficient to accumulate all categories of information required for reporting.
2. Transaction coding and review procedures take into account required reporting classifications.
3. Review of reports is conducted prior to submission and sufficient supporting documentation is included to facilitate a complete, meaningful review.

J. Subrecipient Monitoring

Risk: Required information is not communicated to subrecipients.

Key Controls:

1. Grant award letters to subrecipients include CFDA number, program title, a brief description of the federal program, reference to federal guidance, reporting requirements, single audit requirements and requirements for site visits.
2. An information packet covering federal compliance information and references is included with the award letter.

Risk: Insufficient monitoring by the department results in material noncompliance with federal requirements by the subrecipient.

Key Controls:

1. Organizations receiving grant funds are defined as either vendors or subrecipients as described in federal guidance.
2. A listing of those defined as subrecipients is maintained and communicated to those with monitoring responsibilities.
3. Subrecipient budgets are compared with prior year expenditures to monitor level of effort/matching requirements.
4. Monthly cash reports are required of subrecipients and are monitored for compliance with cash management requirements.
5. Periodic payment amounts are adjusted in light of cash need information supplied in cash reports.
6. Site visits are conducted to evaluate program design and performance and compliance with various financial requirements.

7. Subrecipient financial reports are required and reviewed for indications of unusual activity.

Risk: Monitoring and resolution of subrecipient audit issues insufficient to ensure that required subrecipient audits are performed and findings are resolved through corrective action and resolution of questioned costs.

Key Controls:

1. Single Audit requirements are communicated in grant award information.
2. Queries are performed periodically to identify subrecipients who have received federal funds in excess of the audit requirement threshold.
3. Subrecipient Single Audit Reports are reviewed for issues and specific findings related to federal programs administered by the department.
4. Subrecipient audit issues for which the Department has responsibility are actively followed up on. Questioned costs are resolved and steps are taken to ensure that corrective action is taken.
5. A spreadsheet application tracks those identified as requiring an audit, receipt of the audit report, timeliness of report submission, audit issues, findings and questioned costs and resolution of these items.

K. Other compliance requirements covered by OMB A-133 Compliance Supplement.

L. Other financial related federal compliance requirements not covered by the OMB A-133 Compliance Supplement.

V. Monitoring (1 page)
Short narrative identifying procedures in place to ensure that:
1. Controls have been implemented
2. Controls are being adhered to
3. Controls are effective in addressing associated risk