SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (SEFA)

A system of internal control may be implemented in many different ways. Because political subdivisions vary in purpose, size and complexity, no single method of internal control is universally applicable. However, the five internal control components should be present and functioning in all political subdivisions.

Questions have been accumulated for all five internal control components. This document includes questions pertaining to various noncompliance issues regarding the preparation, review and submission of a correct Schedule of Expenditures of Federal Awards (SEFA). These questions can be used to aid in designing a proper system of internal control over the preparation, review and submission of the SEFA that will allow misstatements of the SEFA to be prevented or detected and corrected. It is not necessary to address all questions in this document. These questions are related to suggested internal control procedures, but the actual structure of an internal control system must be tailored to the unique needs of the political subdivision. The internal control system as a whole has to be designed and implemented appropriately in order to allow errors made in the preparation, review and submission of the SEFA to be prevented or detected and corrected.

Most political subdivisions are assisted by the State Board of Accounts in the compilation of the SEFA. Information related to federal awards is entered by the political subdivision into the Gateway reporting system. This information is used to compile the SEFA. When this process is used, internal control procedures are needed to ensure the accuracy of information entered into the Gateway reporting system. There are a few units that prepare the SEFA without the use of the Gateway reporting system. The procedures established should be reflective of whatever process is used to complete the SEFA whether it is through the Gateway reporting system or prepared outside the Gateway reporting system.

Components of Internal Control:
Control Environment
Risk Assessment
Control Activities
Information and Communication
Monitoring

Control Environment - Sets the tone of the unit and influences the effectiveness of internal controls within the unit. It comprises the integrity and ethical values of the unit and is set by the governing body and management. The standards, processes, and structures which form the control environment pervasively impact the overall system of internal control.

The questions in this section are divided by questions that pertain to the governing board, management and both the governing board and management.

Governing Board:	YES	NO
1) Does the governing board oversee the unit's internal control system over the preparation, review and submission of the SEFA?		
2) If considered necessary, did the governing board establish an oversight committee and appoint members with high ethical values, excellent communication and problem solving skills?		
3) Does the unit have a mission statement, objective and goals?		
4) Does the governing board convey periodic messages of expectations to all employees?		
5) Are there written policies documenting internal control procedures over the preparation, review and submission of the SEFA? If yes, do these written policies outline the authority and responsibility for the preparation, review and submission of the SEFA within the unit?		
6) How involved is the governing board in understanding the unit's SEFA process, overseeing the effectiveness of internal controls over the preparation, review and submission of the SEFA, and evaluating whether the accounting records that support the SEFA are correct? For example, is the governing board's involvement limited to attending board meetings, or does the board oversee other things such as unit controls, accounting practices, etc.		
7) Did the governing board develop an organizational chart? If yes, is the organizational chart current and accurate? If yes, did the governing board create job duties for each level of the organizational chart? If job duties were created, do these duties address responsibilities required for the preparation, review and submission of the SEFA?		
8) Has fiscal authority been formally delegated to specific management personnel?		
9) Did the governing board develop a formal employee evaluation system to set the intervals in which employees will be evaluated? If yes, does the formal evaluation system include disciplinary action that will be taken if an employee does not meet the expectations noted in the evaluation system?		
10) How does the governing board oversee the activities of management that are related to financial reporting? What oversight does the governing board give on the accounting records?		
11) Are accounting department employees required to take vacations?		

	YES	NO
12) Has the governing board developed and implemented an ethics policy? If yes, does the policy address potential conflicts of interest? Is there a system of annual acknowledgment in place where either through e-mail submission or manual documentation, each official and employee attests that they have read the policy and will adhere to the policy?		
13) Are there regular meetings of the governing board to set policies and objectives and review the unit's performance?		
14) Are the minutes of such meetings prepared and signed on a timely basis?		
15) Are confidentiality agreements required for employees who come in contact with confidential information?		
16) Are policies regarding personal use of computer equipment and software clearly stated?		
17) Does the fiscal officer present the SEFA to the governing board for review and approval at a regularly scheduled public meeting?		
18) Do the departments present grant proposals to the governing board for approval at a regularly scheduled public meeting?		
19) Once the grant application is completed, is the grant application approved by the governing board prior to submission to the grantor agency?		
20) Is the grant application and all other required information remitted to the grantor agency for approval by a designated individual?		
21) Once approval has been obtained from the grantor agency, does the department present the approval of the grant to the governing board at a regularly scheduled public meeting?		

Management:

	YES	NO
1) Does management develop and maintain documentation of the internal control system over the preparation, review and submission of the SEFA?		
a. Does management assign responsibility, and delegate authority to achieve a correct SEFA and ensure it is submitted timely?		
3) Does management establish an organizational structure, assign responsibility and delegate authority in order to achieve a correct SEFA? If yes, did management establish and document the organizational structure of each office and department? Examples of items to incorporate into the structure could include: an organizational chart; outline of specific duties; designation of responsible persons for each part of the accounting process; documentation of internal control procedures over specific accounting areas; etc.		
4) Does management ensure compliance with the unit's personnel policies and procedures regarding hiring, training, promoting and compensating?		
5) Does management check credentials and references for new employees?		
6) Do employees who are involved in the SEFA process receive continuous or periodic training? If yes, what kind of training do employees receive to help them maintain their accounting and financial reporting competencies?		
a. What background, education, and experience do accounting personnel have that assist them with their duties?		
7) Does management reward employees for following good internal control practices through promotions or increase in compensation?		
8) Is turnover of key fiscal personnel relatively low?		
9) Does the workload of accounting employees facilitate the preparation of reliable accounting records?		
10) Does management evaluate performance and hold individuals accountable for their responsibilities? If yes, what action is taken for employees not performing their responsibilities?		
11) Is cross training completed to ensure that more than one employee is knowledgeable about the SEFA process? This cross training would allow more than one employee to be aware of potential design deficiencies in the internal controls or of noncompliance with internal controls.		
12) Do accounting supervisors frequently prepare reports or reconciliations to verify the accuracy of financial transactions?		
13) Does management take an active role in the financial reporting of the unit?		
14) Is management actually involved in supervision of the various functions?		
15) Does management ask employees for their suggestions on how to improve processes?		
16) Has management given a high priority to its internal control structure?		
17) Is management willing to adjust the SEFA for misstatements that approach a material amount?		
18) Does management discuss internal controls at management and other staff meetings?		

Governing Board and Management:

	YES	NO
1) Does the governing board and management stress adherence to policies and procedures?		
2) Is there a clear assignment of responsibility and delegation of authority to deal with such matters as organizational goals and objective, operating functions and regulatory requirements?		

	YES	NO
3) If an outside consultant is used to complete the SEFA, is there a supporting contract that addresses the following items:		
a. Services to be provided		
b. Compliance with laws and regulations should be adhered to		
c. Compensation		
d. Effective and ending dates		
e. Deadlines		
f. Renewal options		

Risk Assessment - Risk is the possibility that an event will occur and adversely affect the achievement of objectives. Risk assessment is the process used to identify and assess internal and external risks to the achievement of objectives, and then establish risk tolerances. It is the basis for determining how risk will be managed.

	YES	NO
1) Does management identify, analyze and respond to risks regarding the preparation, review and submission of the SEFA?		
a. What areas have been identified regarding the preparation, review and submission of the SEFA that may be exposed to fraud risk?		
i. Risk factors may include noncompliance with statutes and grant requirements, changes in management or employees, competence and experience of personnel involved in the SEFA process, inaccurate Schedule of Expenditures of Federal Awards, findings reported in prior audit reports regarding the SEFA, new accounting system, volume of transactions and funds, etc.		
b. Does management analyze the identified risks to estimate the effect of the risk on achieving a correct SEFA? For example, does management consider how likely the risk will occur, how it will impact a correct SEFA, if the risk is based on complex or unusual transactions, if the risk is based on fraud, etc.		
c. How has management addressed risks associated with using computerized accounting records, such as unauthorized access to applications or data, potential loss of data, and reliance or inadequate systems that may adversely affect internal control?		
d. How has management responded to identified risks? For example, management may accept the risk and take no action, choose to eliminate certain processes to avoid the risk and institute proper internal controls.		
e. When needed, does management go back to the governing board to enact or modify policies that will that will clearly define these areas?		
2) Does management clearly define proper procedures over the preparation, review and submission of the SEFA to enable the identification of risks and to define risk tolerances? Written procedures should be clear and address items such as who will be involved in SEFA process, how proper SEFA procedures will be achieved, and when will proper SEFA procedures be in place.		
3) Is management continually aware of changes, both external and internal, that could affect a correct SEFA? If yes, does management determine any modifications needed in the internal control process to adopt to these changes?		
4) Did the governing board or management incorporate external requirements, such as state statutes and Uniform Compliance Guidelines?		
5) What procedures are in place to ensure that the information reported on the SEFA is correct and reflective of the accounting records?		

Control Activities - The actions and tools management establishes through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives and to respond to risk in the internal control system.

      An integral part of the control activity component is segregation of duties. However, in very small governmental units, such segregation may not be practical. In this case, compensating activities should be implemented which may include additional levels of review for key operational processes, random and/or periodic review of selected transactions. In smaller units, these reviews and testing of processes might be performed by governing boards or other elected officials.

      There is an expectation of segregation of duties. If compensating controls are necessary, documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. Clear documentation should be maintained for continuity as well as ease of communication to outside parties.

	YES	NO
1) Is there a system of checks and balances (segregation of duties) to ensure a correct SEFA?		
a. Are responsibilities for preparing the SEFA segregated from those involved in reviewing the SEFA?		
b. Are responsibilities for preparing the SEFA segregated from those involved in submitting the SEFA?		
c. Are responsibilities for reviewing the SEFA segregated from those involved in submitting the SEFA?		

	YES	NO
2) Did management design the unit's information system and related control activities to ensure the proper preparation, review and submission of the SEFA?		
a. Did management implement control activities through written policies?		
3) Is the individual authorized to review the SEFA knowledgeable in the SEFA process?		
a. Is there a checklist for the preparation, review and submission of the SEFA that includes the following?		
i. Employee names with their responsibilities and duties		
ii. Deadlines for submission of information from each employee		
iii. Detail of supporting documentation required, etc.		
iv. Is a comparison to the prior SEFA made to identify material errors		
4) Does the individual authorized to review the SEFA understand the unit's recordkeeping system?		
5) Is access to the unit's records appropriately controlled by user logins and passwords? Do individuals involved in the SEFA process share their user id and password?		
6) Does management or another designated individual review and check the accuracy of the information submitted through the Gateway reporting system by comparing it to supporting documentation used to input the information before submission? Is this review documented as evidenced by initials, tick marks, etc. indicating procedures performed?		
7) Are standard reports or standard documentation used to support information in the SEFA?		
a. Are there reconciliations between the financial records and any standard reports received from various employees involved in the process of the preparation of the SEFA?		
8) Does management review and check the accuracy of the information submitted by the departments to the fiscal officer by comparing it to supporting documentation used to input the information before submission to the fiscal officer? Is this review documented as evidenced by initials, tick marks, etc. indicating procedures performed?		
9) Does management send the grant information submitted through the Gateway reporting system to the departments for their review?		
a. If yes, does the department verify the information and include documentation of the review? For example: initials, tick marks indicating procedures performed, records traced to, etc.		
b. Are differences noted by the department reviewed by management before changes are made to the information entered in the Gateway system		
10) Are the Detailed Error Reports that are generated from the Gateway system reviewed by management or an individual not involved in the SEFA process? How are the errors noted on the report corrected?		
11) Does the unit use an outside consultant to prepare the SEFA?		
a. Is information submitted to the outside consultant reviewed by an individual separate from those involved in gathering the information?		
i. Does the review include verifying the information submitted to the outside consultant agrees with supporting documentation? If yes, is this review documented as evidenced by initials, tick marks, etc. indicating procedures performed?		
ii. Does the fiscal officer or a designated individual compare the SEFA prepared by the outside consultant to supporting documentation submitted to the outside consultant? If yes, is this review documented as evidenced by initials, tick marks, etc. indicating procedures performed?		
b. Does management verify the outside consultant is performing all services detailed in the approved contract?		
12) Does each department maintain grant files for every individual grant and include all grant documents that have been remitted to the auditor? Does each department ensure that all grant documentation is remitted to the auditor, including the grant application, grant approval, grant contract/agreement from the grantor agency?		
13) Are grant files or electronic files maintained by the fiscal officer for each grant and include proper supporting documentation?		
a. Does management send checklists to the various departments listing documents to be provided to the fiscal officer? For example, the grant application, grant award letter, grant agreement, grant budget, correspondence with grantor agency, claim vouchers with supporting invoices, requests for advances, reports with supporting documentation, etc.		
14) Is the source of the grant identified before grant proceeds are received? For example: This will be found with the grant application, grant agreement and grant award letter. It may require contacting the grantor agency for additional information.		
15) Are fund names for the grants set up by using a CFDA number and/or title of the grant? Do grant fund numbers follow the chart of accounts established by the SBoA?		

Information and Communication - Relevant information from both internal and external sources is necessary to support the functioning of the other components of internal control. Communication is the continual process of providing, sharing, and obtaining necessary information.

	YES	NO
1) Are procedures established to ensure that proper communication and documentation exists for internal communications between offices, departments, management and the governing board regarding the preparation, review and submission of the SEFA?		
a. How does the unit internally communicate information regarding the preparation, review and submission of the SEFA to employees, including how to prepare a correct SEFA and responsibilities for internal control? Are records maintained to document this communication?		
b. Are procedures established to ensure that the communication requirements are being followed and necessary information is being communicated properly?		
c. Are procedures established for feedback on and clarification of the information provided?		
2) What procedures are in place to collect the information needed to complete the SEFA?		
a. Does management use the most current information available to ensure the SEFA will be correct?		

Monitoring - Activities that allow management to assess the quality of internal controls over time and make adjustments as necessary. Proper monitoring ensures that controls function properly.

	YES	NO
1) Are procedures in place to ensure that appropriate personnel perform their required duties sufficiently and adequately follow the policies and procedures of the unit regarding the preparation, review and submission of the SEFA?		
2) Are internal control procedures over the preparation, review and submission of the SEFA evaluated and adjusted on a regular basis? For example, personnel changes, newly elected officials, etc.		
a. What follow-up action is taken for identified problems or weaknesses in internal controls over the preparation, review and submission of the SEFA?		
3) Are monthly reports detailing receipts, disbursements, appropriations and cash and investment balances provided to the appropriate department to review for accuracy and reasonableness?		
4) Are monthly reports detailing receipts, disbursements, appropriations and cash and investment balances provided to management to review for accuracy and reasonableness?		
5) Are monthly reports of receipts, disbursements, appropriations and cash and investment balances provided to the governing board to review?		
6) Does a confidential reporting system exist so that individuals may report suspected fraud and abuse of the unit's policies?		