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.

Control Environment

The questions in this section are divided by questions that pertain to 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) 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?		
3) Does the fiscal officer present the SEFA to the governing board for review and approval at a regularly scheduled public meeting?		
4) Do the departments present grant proposals to the governing board for approval at a regularly scheduled public meeting?		
5) Once the grant application is completed, is the grant application approved by the governing board prior to submission to the grantor agency?		
6) Is the grant application and all other required information remitted to the grantor agency for approval by a designated individual?		
7) 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:		
1) What procedures did management put in place for 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?		
2) Is management willing to adjust the SEFA for misstatements that approach a material amount?		

Risk Assessment

	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?		
b. How has management analyzed and 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.		
2) How does management prevent fraud and errors in the accounting records, which are used to prepare the SEFA? For example, are important internal control procedures in place such as approvals, regular preparation or review of reconciliations, review of supporting schedules or reports, etc.?		
3) What procedures are in place to ensure that the information reported on the AFR is correct and reflective of the accounting records?		

Control Activities

	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?		
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? (See Long Version for the SEFA Questions #3)		
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, including information submitted by the departments, 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 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?		
9) 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?		
10) Does the unit use an outside consultant to prepare the SEFA? (See Long Version for the SEFA Question #11)		
11) 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?		
12) 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.		
13) 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.		
14) 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

	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

	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?		