

Internal Controls

BACKGROUND:

Subrecipients of federal awards according to 45 CFR 75.303 must establish and maintain effective internal control over their federal award.

POLICY:

The Subrecipient should provide reasonable assurance that they are managing the federal award in compliance with federal statutes, regulations, and the terms and conditions of the federal award. Subrecipients shall maintain an effective system of internal controls in order to monitor:

- Compliance with policies and procedures established by management
- Finance policies
- Requirements of laws and regulations
- Contracts and grants applicable to federal and other programs

DOCUMENTATION:

Subrecipient policies and procedures that comply with the “Standards for Internal Control in the Federal Government,” issued by the Comptroller General of the United States. The policies must establish procedures that:

1. Comply with federal statutes, regulations, and the terms and conditions of the federal awards.
2. Evaluate and monitor the subrecipient compliance with statutes, regulations and the terms and conditions of Federal awards.
3. Take prompt action when instances of noncompliance are identified including noncompliance identified in audit findings.
4. Take reasonable measures to adhere to Health Insurance Personal Portability Act (HIPPA).

GUIDANCE:

In general, the subrecipient should have internal controls that are designed to achieve four basic objectives:

1. **Validation** --The examination of documentation, by someone with an understanding for evidence that a recorded transaction actually took place and that it occurred in accordance with the prescribed procedures.
2. **Accuracy** – Established control tasks that check calculations, additions and classifications.

3. **Completeness** – Control tasks that ensure that all transactions are initially recorded on a control document and accepted for processing.
4. **Maintenance** – Monitors accuracy of the operations of the business.

In order to carry out this subsection, the following internal controls have been adopted and enforced by the subrecipient:

- Budgeting and reporting;
- Accounting controls over assets, liabilities, revenue, and expenditures;
- Appropriate separation of record keeping operations over the handling and custody of assets and liabilities;
- Establishment of employee responsibilities and duties;
- Use of a review process, checks and balances, and other security measures such as fidelity bonding for employees that handle cash;
- Maintenance of an environment throughout the organization that sets a positive and supportive attitude toward internal control and conscientious management;
- Provision of an assessment of the risks the agency faces from both external and internal sources;
- Assurance that management's directives are carried out;
- Information recording and communication to management and others within the entity who need it, within a format and a time frame that enables them to carry out their internal control and other responsibilities;
- Monitoring that assesses the quality of performance over time and ensures that the findings of audits and other reviews are promptly resolved.

EXCEPTIONS:

None

REFERENCES:

eCFR: https://www.ecfr.gov/cgi-bin/text-idx?node=pt45.1.75#_top

“Standards for Internal Control in the Federal Government,” issued by the Comptroller General of the United States

Implemented: March 1, 2019