

CDBG-DR 3-1

Subrecipient Financial Management Checklist

Internal Controls

- ✓ Is there a chart showing the titles and lines of authority for all individuals involved in approving or recording financial transactions?
- ✓ Are there written position descriptions that describe the responsibilities of all key employees?
- ✓ Is there a written policy manual specifying approval authority for financial transactions and guidelines for controlling expenditures?
- ✓ Are there written procedures for the recording of transactions, as well as an accounting manual and a chart of accounts?
- ✓ Is there an adequate separation of duties to assure that no one individual has authority over an entire financial transaction?
- ✓ Do hiring policies ensure that staff qualifications are equal to job responsibilities and that individuals hired are competent to do the job?
- ✓ Is control over access to accounting records, assets, blank forms, and confidential records adequate, such that only authorized persons can get access to them?
- ✓ Did the most recent audit report indicate any deficiencies or material weaknesses in the system of internal controls?
- ✓ Have there been any changes in the system of internal control, or have there been any changes in the fiscal staff, since completion of the audit?

Accounting Records and Source Documentation

- ✓ Do the accounting records identify the source and use of all funds, including information on:
 - All grant awards received;
 - Authorizations or obligations of funds;
 - Unobligated balances;
 - Assets and liabilities;
 - Program income, miscellaneous revenue and revolving funds; and
 - Total actual outlays or expenditures to date?
- ✓ Are the accounting records supported by adequate source documentation? [Note: the combination of source documentation and accounting records should provide a complete “audit trail,” documenting when a purchase was requested and by whom, how it was formally approved, what funds were used to pay for it, when it was paid and for how much.]

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- ✓ Is there a clearly defined set of standards and procedures for determining the reasonableness, allowability, and allocability of costs incurred that is consistent with the rules in 2 CFR Part 200?
- ✓ If the organization charges indirect costs, does it have an approved indirect cost rate?

Budget Controls

- ✓ Is there a regular, on-going comparison of actual expenditures with the amounts budgeted?
- ✓ Is financial information related to performance or unit cost data, as appropriate?

Cash Management.

- ✓ Is the CDBG-DR account a non-interest bearing account?
- ✓ Do payments for project costs occur within five days from the date of deposit of the grant funds? If not, were excessive amounts of cash (over \$5,000) returned to DLG?
- ✓ Is information on line of credit withdrawal vouchers accurate?

Procurement Rules

- ✓ Is a *written* "standard of conduct" maintained governing the performance of employees engaged in purchasing and/or the award or administration of contracts, in order to avoid real or apparent conflicts of interest?
- ✓ Are all purchases or procurements (no matter how small) conducted in a manner to provide, to the extent practical, free and open competition?
- ✓ Are *written* procedures for procurement transactions maintained that specify the steps taken to:
 - Avoid the purchase of unnecessary items;
 - Examine lease versus purchase alternatives; and
 - Ensure that solicitations for goods and services contain clear and accurate descriptions of the technical requirements being sought?
- ✓ Are small, women-owned, and minority-owned businesses used to the fullest extent possible?
- ✓ Is some form of cost or price analysis performed for each procurement, and documented in the procurement files?
- ✓ Is a system of contract administration maintained to ensure contractor conformance with terms and conditions of contracts that are awarded?

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Property Controls

- ✓ Is a system maintained for tracking property and other assets bought or leased with grant funds?
- ✓ As part of this system, does the organization conduct a periodic (at least annual) physical inventory or inspection of property bought or leased with grant funds?
- ✓ Are procedures in place to keep the property safe (such as adequate locks, engraving of portable equipment, and/or storage of such equipment in locations that are reasonably secure)?
- ✓ Are systems in place to ensure that the equipment leased or purchased with grant funds is used solely for authorized purposes (e.g., leased vehicles for transporting persons with disabilities are not employed for personal use)?

Financial Reporting

- ✓ Is necessary data available from the accounting system for the preparation of reports?
- ✓ Do financial reports and statements present a clear picture of financial results and conditions?
- ✓ Are required reports submitted on time?
- ✓ Did the organization expend more than \$500,000 in federal funds within its fiscal year (FY) prior to FY16, or \$750,000 for FY16 and forward, regardless of whether such funds were received directly from federal agencies or indirectly through another agency? [If “no” skip to the last question under Audits below. If yes, proceed to audits.]

Audits

- ✓ Was the annual audit conducted consistent with the standards of OMB Circular A-133 (pre-FY2016) or 2 CFR Part 200 (FY2016 forward)? Specifically, did the audit provide the following:
- ✓ An opinion as to whether financial statements are presented fairly in all material respects in accordance with Generally Accepted Government Accounting Standards (GAGAS).
- ✓ An opinion as to whether the schedule of expenditures is presented fairly in all material respects in relation to the financial statements taken as a whole.
- ✓ A report on internal controls related to financial statements and major programs.
- ✓ A report on compliance with laws, regulations, and the provisions of contracts or grant agreements.
- ✓ An opinion as to whether the auditee organization has complied with laws, regulations, and the provisions of contracts or grant agreements.

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- ✓ A schedule of findings and questioned costs, which include a summary of the auditor's results and all "audit findings."
- ✓ The summary of audit results must include:
 - Type of report the auditor issued on financial statements;
 - A statement that reportable conditions in internal controls were disclosed by the audit (where applicable);
 - Statement on whether the audit disclosed any noncompliance which is material to the auditee financial statements;
 - Type of report the auditor issued on compliance for major programs;
 - Statement as to whether the audit disclosed any "audit findings";
 - Identification of major programs;
 - Dollar threshold used to distinguish between type A and type B programs; and
 - Statement as to whether the auditee qualifies as a low-risk organization.
- ✓ Did the organization submit the audit package to the Federal Audit Clearinghouse?
- ✓ Did the organization submit the audit package to DLG?
- ✓ Did the organization submit the appropriate financial statement or public financial statement according to state requirements?
- ✓ Did the organization follow all state requirements for their city or county?
- ✓ Did the audit report contain any findings regarding deficiencies or material weaknesses, compliance findings, questioned costs, or recommendations for improvements in the organization's financial systems?
- ✓ Has the organization taken steps to ensure timely resolution of any audit findings, questioned costs, and/or recommendations?