



the requirements that subrecipient institute and implement internal controls in the managing Federally funded subawards.

**DEFINITIONS:**

Internal controls means a process, implemented by a non-Federal entity, designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

- (a) Effectiveness and efficiency of operations;
- (b) Reliability of reporting for internal and external use; and
- (c) Compliance with applicable laws and regulations. (2 CFR 200.61)

Non-Federal entity means a state, local government, Indian tribe, institution of higher education (IHE), or nonprofit organization that carries out a Federal award as a recipient or subrecipient. (2 CFR 200.69)

Subaward means an award provided by a pass-through entity to a subrecipient for the subrecipient to carry out part of a Federal award received by the pass-through entity. It does not include payments to a contractor or payments to an individual that is a beneficiary of a Federal program. A subaward may be provided through any form of legal agreement, including an agreement that the pass-through entity considers a contract. (2 CFR 200.92)

Subrecipient means a subrecipient that receives a subaward from a pass-through entity to carry out part of a Federal program; but does not include an individual that is a beneficiary of such program. A subrecipient may also be a recipient of other Federal awards directly from a Federal awarding agency. (2 CFR 200.93)

**POLICY:**

It is the policy of CSS that subrecipients shall establish a system of internal controls to protect the integrity of the Federal funds awarded to them by the County. It is the responsibility of the subrecipient to institute a system of controls that is described in writing and followed by its employees.

This system will be monitored as part of the oversight responsibilities of the County and failure to institute and implement such a system will result in possible sanctions by CCS.

**PROCEDURES:**

Subrecipients of CSS subawards shall establish and maintain effective internal control over the subaward that provides reasonable assurance that the subrecipient is managing the subaward in compliance with Federal statutes, regulations, and the terms and conditions of the subaward.

Subrecipients shall establish a system designed to provide reasonable assurance regarding the achievement of the following objectives in CSS subawards:

Transactions are properly recorded and accounted for, in order to:

- (1) Permit the preparation of reliable financial statements and Federal reports;
- (2) Maintain accountability over assets; and
- (3) Demonstrate compliance with Federal statutes, regulations, and the terms and conditions of the Federal award;

Transactions are executed in compliance with:

- (1) Federal statutes, regulations, and the terms and conditions of the Federal award that could have a direct and material effect on a Federal program; and
- (2) Any other Federal statutes and regulations that are identified in the Compliance Supplement; and
- (3) Funds, property, and other assets are safeguarded against loss from unauthorized use or disposition.

Subrecipients shall:

- Take prompt action when instances of noncompliance are identified including noncompliance identified in audit findings.
- Take reasonable measures to safeguard protected personally identifiable information and other information the Federal awarding agency or pass-through entity designates as sensitive or the non-Federal entity considers sensitive consistent with applicable Federal, state and local laws regarding privacy and obligations of confidentiality.

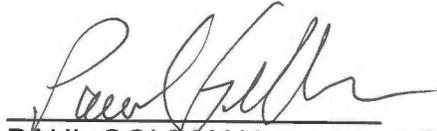
Attached to this Directive is a suggested checklist for ensuring that the subrecipient has established an adequate internal control system.

**ACTION:**

CSS and its subrecipients shall follow this policy. This policy shall remain in effect until such time that a revision is required.

**INQUIRIES:**

If you have any questions regarding this Directive, please contact Adrian Romero at (323) 806-6497 or [aromero@css.lacounty.gov](mailto:aromero@css.lacounty.gov)

A handwritten signature in black ink, appearing to read "Paul Goldman", written over a horizontal line.

PAUL GOLDMAN, Assistant Director  
Contracting Services

## Internal Controls Checklist

	YES	NO	NOT SURE	NOT APPLICABLE
<b>Cash Receipts</b>				
1. Are checks endorsed "for deposit only" immediately upon receipt?				
2. Does someone prepare a daily list of all cash and checks immediately upon receipt?				
3. Are duplicate deposit slips and copies of checks retained in the files?				
4. Is the person who has custody of actual cash and checks different from the person recording them and acknowledging them in case of contributions?				
5. Are all cash and checks deposited intact and on a timely basis?				
6. Are restricted contributions clearly identified and recorded as restricted on the general ledger?				
7. Is all cash received, counted and verified by two employees?				
8. Does the organization send acknowledgements to contributors and are copies of or record of such acknowledgements kept on file?				
<b>Cash Disbursements</b>				
9. Are all disbursements, except those from petty cash, made by pre-numbered checks?				
10. Are void checks preserved and filed after appropriate mutilation?				
11. Is there a written prohibition against issuing checks payable to "cash"?				
12. Is there a written prohibition against signing checks in advance?				
13. Is a cash disbursement voucher prepared for each invoice or request for reimbursement that details the description of expense account to be charged and contains authorization signature and accompanying receipts and/or vendor invoices?				
14. Are all expenses approved in advance by authorized persons?				
15. Do the check signors review supporting documentation of expenses and approvals at the time of signing checks?				
16. Are signed checks mailed promptly?				
17. Are paid invoices marked paid or attached to a copy of the check prior to filing?				
18. Are requests for reimbursement checked for mathematical accuracy and reasonableness before approval?				

	YES	NO	NOT SURE	NOT APPLICABLE
19. Is check-signing authority vested in persons at appropriately high levels in the organization who do not have any accounting responsibility?				
20. Do checks require two signatures?				
21. Are bank statements and cancelled checks received and reviewed by a person independent of the accounting functions?				
22. Are unpaid invoices maintained in an unpaid invoice file?				
23. Is a list of unpaid invoices regularly prepared, reviewed and compared to those invoices in the unpaid invoice file?				
24. If purchase orders are used, are all purchases supported by a pre-numbered purchase order?				
25. Are advance payments to vendors and/or employees recorded as receivables and controlled in a manner which assures that they will be offset against invoices or expense vouchers?				
26. Are employees required to submit expense reports for all travel related expenses on a timely basis?				
27. Is an imprest petty cash fund maintained for payment of small, incidental expenses?				
28. Does the organization follow a policy limiting the amount that can be reimbursed by the petty cash fund?				
29. Is supporting documentation required for all petty cash disbursements?				
30. Is a petty cash voucher filled out with supporting documentation, name of person being reimbursed, and proper authorization?				
31. Is access to petty cash limited to one person who is the fund custodian?				
32. Are unannounced counts of petty cash made by someone within the organization other than the fund custodian?				
<b>Payroll</b>				
33. Are time sheets required documenting employee hours, overtime and what activity the employee worked on?				
34. Are time sheets signed by employees and reviewed and signed by their immediate supervisors?				
35. Are employment records maintained for each employee that detail wage rates, benefits, tax rates, and other pertinent information?				

	YES	NO	NOT SURE	NOT APPLICABLE
36. Are withheld employment taxes and employer taxes paid on a timely basis to the taxing authorities?				
37. Do written policies and procedures exist for accounting for vacations, holidays, sick leave, and other benefits?				
<b>Fixed Assets</b>				
38. Does the organization have a capitalization and depreciation policy?				
39. Are additions to fixed assets recorded in a fixed asset ledger?				
40. Does the fixed asset ledger list description of each item, serial number, location, date of acquisition, cost or fair value if donated, useful life, depreciation method, accumulated depreciation and funding source if funds were provided by a funding source with restrictions on disposition of assets?				
41. Is the fixed asset ledger reconciled with the general ledger periodically?				
42. Are purchase, transfer and disposal of fixed assets promptly recorded in the ledger?				
43. Does the organization conduct a physical inventory annually and update the fixed asset and the general ledgers?				
<b>Financial Statements</b>				
44. Is a statement of financial position prepared monthly and reviewed by the management and the finance committee?				
45. Are monthly reports comparing income and expenses with approved budget by activity and for the organization as a whole prepared and reviewed by the management and the finance committee?				
46. Is an updated cash flow projection prepared and reviewed by the management and the finance committee?				
<b>General Area</b>				
47. Is a chart of accounts used?				
48. Does the chart of accounts provide for tracking expenses by activity?				
49. Does the chart of accounts provide for tracking direct and indirect expenses if the organization receives federal funds?				

50.	YES	NO	NOT SURE	NOT APPLICABLE
51. Does the chart of accounts provide for tracking unallowable costs if the organization expends federal funds?				
52. Are accounting and program staff knowledgeable about all fund source rules, regulations and requirements?				
53. Is fund accounting used to track restricted grants and the spending related to them?				
54. Are accounting records up to date, and monthly financial statements prepared on a timely basis (timely being defined as 10 days to 3 weeks maximum)?				
55. Does the board of directors approve the annual budget?				
56. Does an accounting procedure and policies manual exist that is reviewed and revised annually?				
57. Do accounting staff take annual vacation and are their basic duties performed by someone else in their absence?				
58. Are all appropriate federal, state, and local information returns filed on a timely basis?				