

## Internal Controls Risk Assessment Tool Instructions

This internal risk assessment tool is used by the [name of LEA] to evaluate and quantify the risks associated with the operation or performance of the Local Educational Agency (LEA) internal controls regarding its administration of its federal education funds. See 2 CFR § 200.303.

The [insert office] aims to complete this assessment on an annual basis.

### *Tool Overview*

The Risk Assessment Tool comprises multiple sections, each addressing specific aspects of the grant administration process in accordance with State and local requirements, the Uniform Grants Guidance (2 CFR Part 200) (UGG) and the Education Department General Administrative Regulations (EDGAR).

Prior to each year's review, the [insert office] must review the Tool and determine whether additional areas must be reviewed to address recent audit or monitoring findings, or other concerns raised by LEA staff. *[Note: LEAs must tailor this template to ensure it addresses all areas of concern and compliance. In addition, if there are State and/or local rules that are stricter than the federal standards (for example, many States and/or local governing bodies have lower thresholds for procurement and equipment), the stricter standard must be incorporated and assessed.]*

In each section, there is a set of questions related to potential risks and compliance issues, all tied to the federal requirements under the UGG. The response to each question informs a risk rating of low risk, moderate risk, or high risk. The key below provides some definitions and examples to assist the LEA with making the risk determination, but ultimately the risk rating is up to the LEA, factoring in existing internal controls, LEA priorities, and other risk tolerances.

### *Defining the Risk Rating*

Each factor falls into one of three categories (low, moderate, or high) based on the information identified below. *[Note: This template proposes definitions of each category and examples to guide the LEA in making each risk determination. However, the District must modify this Tool and risk rating process to best suit the unique needs of the LEA.]*

**Low Risk** – Factors that are determined to be low risk are those for which the LEA has current, updated internal controls in place that foster compliant administration of Federal grants. The following are examples of how some factors might be categorized as low risk.

- Does the LEA have a process to ensure costs are adequately documented to demonstrate costs are necessary and allowable under applicable programs?
  - *Response/Notes:* Yes, the District has written allowability procedures outlining the process for determining that costs are necessary, reasonable, and allocable. Procedures were updated within the last three years and reflect current practices. No recent audit or monitoring findings on allowability or questioned costs.
  - Employee interview and/or documentation reviewed reflects these written allowability procedures and an understanding of the Federal rules by LEA staff responsible for making allowability determinations.
- Does the LEA ensure all lost, stolen, and damaged property is investigated?
  - *Response/Notes:* Yes, the District has internal controls in place to prevent and investigate all instances of loss, damage, or theft (check in/out forms, maintenance plans, investigative process, etc.).
    - The LEA maintains a record of investigations showing few instances of loss, damage, or theft.
    - Employee interview and/or documentation reviewed would reflect these strong internal controls.

**Moderate Risk** – Factors that are determined to be moderate risk are those for which the LEA has some existing internal controls in place, but they may require updating or may not fully cover the breadth required under the Federal rules. The following are examples of how some factors might be categorized as moderate risk.

- Does the LEA have a process to ensure costs are adequately documented to demonstrate costs are necessary and allowable under applicable programs?
  - *Response/Notes:* The LEA has some allowability procedures in place, but they have not been updated in years and/or no longer reflect current practices of the LEA or the LEA has current procedures in place but are missing some of the Federal requirements.
  - Employee interview and/or documentation reviewed might indicate that there is some knowledge of the Federal allowability rules that could be improved upon with additional internal controls and clear written processes.
- Does the LEA ensure all lost, stolen, and damaged property is investigated?
  - *Response/Notes:* The LEA has some internal controls in place to prevent and investigate instances of loss, damage, and theft, but the record of such investigations is not clear and/or the investigation procedures are not in writing.

- Employee interview and/or documentation reviewed might reflect some knowledge of how to maintain Federal equipment, but a lack of clarity on what the procedures are to investigate instances of loss, damage, and theft.

**High Risk** – Factors that are determined to be high risk are those for which the LEA either has no internal controls in place or the internal controls are so outdated that staff are untrained on them. High risk factors are likely to be areas where the LEA has received recent findings in audits or monitoring visits.

- Does the LEA have a process to ensure costs are adequately documented to demonstrate costs are necessary and allowable under applicable programs?
  - Response/Notes: The LEA either does not have any written allowability procedures, or the existing allowability procedures are so outdated that they are not used and/or employees are no longer trained on them. May also have questioned costs or pending corrective actions in recent audits or monitoring.
  - Employee interview and/or documentation reviewed might indicate that there is a significant lack of knowledge regarding Federal allowability rules and/or lack of written policies and procedures.
- Does the LEA ensure all lost, stolen, and damaged property is investigated?
  - Response/Notes: The LEA does not have internal controls in place to prevent or investigate loss, damage, and theft of property, or the internal controls are so outdated that they are no longer in use and employees are not trained on them. There is either no record of the LEA's investigations, or a high volume of instances involving loss, damage, or theft.
  - Employee interview and/or documentation reviewed might reflect a lack of knowledge of how to maintain Federal equipment, especially around the process for investigating instances of loss, damage, and theft.

### *Interpreting the Risk Rating*

After the LEA determines the risk rating for each factor, the LEA uses the ratings to identify areas that may require further attention, such as implementing or changing current internal controls to reduce the level of risk. The LEA uses the obtained risk ratings to inform decision-making, prioritize action steps to mitigate risk, and contribute to overall compliance with Federal requirements. Examples of some internal controls that may be considered, as required, are located in Part 6 of the annual OMB Compliance Supplement, located at: <https://www.whitehouse.gov/omb/office-federal-financial-management/>; or the Government Accountability Office Green Book, located at: <https://www.gao.gov/greenbook>.

[Insert LEA Letterhead]

Name, Position, and Office of Reviewer: \_\_\_\_\_

Date of Assessment: \_\_\_\_\_

Internal Controls Risk Assessment				
General Internal Controls re: Overall LEA Risk Questions	Citation	Documentation Reviewed/ Staff Interviewed	Notes	Risk Determination and Recommended Next Steps (as applicable)
Has the LEA had any significant systems changes in the past fiscal year, or does the LEA anticipate any systems changes in the next year? <i>Significant systems might include financial management or accounting systems, grants management systems, etc.</i>	2 CFR § 200.303(a)			
Does the LEA currently have high carryover from the prior year in any Federal program (50% or greater)?	n/a			
In the last two fiscal years, did the LEA expend all Federal grant funds without lapsing any by the end of the period of performance?	n/a			
Has the LEA previously received all Federal awards currently being administered ( <i>e.g.</i> , none of the awards are new to the LEA this year)?	n/a			

<b>What is the average relevant experience in years of the Federal Program staff <u>and</u> fiscal staff?</b>	n/a			
<b>If there were any vacancies at the LEA within the past fiscal year, did the LEA successfully fill those positions?</b>	n/a			
<b>Does the LEA provide training (or permit staff to attend training) on Federal grants compliance for staff administering Federal grant funds at least annually?</b>	n/a			
<b>Does the LEA have all the required policies and procedures and ensure they are reviewed at least every three years? Have all relevant staff members received training on written policies in the past 12 months?</b>	2 CFR §§ 200.318; 200.403; 200.302(b) (7)			
<b>Is there generally a separation of duties across grants-related offices? If not, what controls are in place to ensure compliance?</b>	n/a			
<b>Did the LEA timely submit its applications, budgets and any required amendments, per the awarding agency deadlines?</b>	34 CFR §§ 76.708; 76.710; 2 CFR § 200.308			

Financial Management and Allowability Questions	Citation	Documentation Reviewed/ Staff Interviewed	Notes	Risk Determination and Recommended Next Steps (as applicable)
Does the financial management system permit the tracing of funds to a level of expenditures adequate to establish that such funds have been used only for allowable purposes under each program and budget line item?	2 CFR § 200.302(b)			
Does the LEA timely request reimbursements (e.g., monthly)? Does the LEA track reimbursements and cash advances and ensure interest is calculated on any cash advances (remitting any interest back to USED, as required?)	2 CFR § 200.305			
Does the LEA ensure that costs are only incurred during approved budget periods?	2 CFR § 200.403(h)			
Does the LEA have a process to ensure costs are adequately documented to demonstrate costs are necessary and allowable under applicable programs?	2 CFR § 200.403(g)			
Does the LEA ensure all travel expenses are allowable (e.g. obtain prior approval for travel, track advances, etc.)?	2 CFR § 200.475			

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<b>Does the LEA ensure that applicable credits are applied to the appropriate Federal grant?</b>	2 CFR § 200.406			
<b>Does the LEA request prior written approval from the SEA (or USED as required) for purchases of equipment, capital expenditures, and other costs where prior approval is required?</b>	2 CFR § 200.407			
<b>Does the LEA have a process for tracking matching or cost sharing contributions?</b>	2 CFR § 200.306			
<b>Does the LEA ensure all Federally funded (in part or in whole) employees complete time and effort documentation in a timely manner and that the documentation is used to reconcile budgets to actual time worked?</b>	2 CFR § 200.430(i)			

Purchasing/Procurement Questions	Citation	Documentation Reviewed/ Staff Interviewed	Notes	Risk Determination and Recommended Next Steps (as applicable)
Does the LEA ensure all employees understand and comply with the LEA’s conflict of interest requirements?	2 CFR § 200.318			
Does the LEA ensure that the proper method of procurement is used for each purchase made at the LEA?	2 CFR § 200.320			
When possible, are minority businesses, women's business enterprises, and labor surplus area firms considered?	2 CFR § 200.321			
Does the LEA, to the greatest extent provide a preference for the purchase, acquisition, or use of goods, products, or materials produced in the United States?	2 CFR § 200.322			
Does the LEA include the contract provisions described in appendix II of 2 CFR Part 200 when contracting with vendors and providers?	2 CFR § 200.327; Appendix II			



Equipment and Property Management Questions	Citation	Documentation Reviewed/ Staff Interviewed	Notes	Risk Determination and Recommended Next Steps (as applicable)
Does the LEA ensure that a physical inventory of the property is conducted, and the results reconciled with the property records at least once every two years?	2 CFR § 200.313			
Does the LEA ensure all equipment and other items, as required, are inventoried (placed on an inventory listing) and that the inventory listing includes all the required information?	2 CFR § 200.313			
Does the LEA ensure all lost, stolen and damaged property is investigated?	2 CFR § 200.313			
Does the LEA ensure that all equipment and supplies purchased with Federal funds comply with the disposition requirements when no longer needed?	2 CFR §§ 200.313; 200.314			

Reporting, Monitoring, and Audits Questions	Citation	Documentation Reviewed/ Staff Interviewed	Notes	Risk Determination and Recommended Next Steps (as applicable)
Does the LEA submit all financial, performance, and other reports as required, no later than 90 days after the period of performance?	2 CFR §§ 200.329; 200.344(a)			
Does the LEA review its school-level activities (each program, function, or activity) under Federal awards to ensure compliance with applicable Federal requirements and performance expectations are being achieved?	2 CFR § 200.329(a)			
Does the LEA obtain an annual single audit as required by Subpart F?	2 CFR § 200.332(f)			
If the LEA received audit or monitoring findings within the last fiscal year, has it resolved the findings or implemented a corrective action plan?	2 CFR § 200.508(c)			
Did the LEA have any cross-cutting monitoring findings within the last year? If so, did the District ensure that all corrective actions were made in a timely manner?	2 CFR §§ 200.339; 200.340			

[Insert LEA Letterhead]

<b>Does the LEA have record retention policies and procedures that have been updated in the last three years? Including collection, transmission, and storage of information, and protection of protected personally identifiable information (PII)?</b>	2 CFR §§ 200.334; 200.336; 200.338			
<b>Has the LEA taken any reasonable cybersecurity or other measures to safeguard information, including personally identifiable information (PII) or other information designated as sensitive by the LEA or SEA?</b>	2 CFR § 200.303(e)			