

*GRANTEE INTERNAL CONTROLS SELF-ASSESSMENT
INSTRUMENT*

GRANTEE

DATE: February 27, 2012

REVISED GRANTEE INTERNAL CONTROLS *SELF-ASSESSMENT*
INSTRUMENT

GRANTEE TEAM (Insert GRANTEE Name)		
(List all members of the Grantee Team, their organization, title, phone, fax, and e-mail addresses)		
NAME:	ORGANIZATION/TITLE:	
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Add additional pages to capture all staff involved in the assessment process.

GRANTEE INTERNAL CONTROLS SELF ASSESSMENT INSTRUMENT

GENERAL INSTRUCTIONS

Grantees use the *Self-Assessment of Internal Controls Instrument (Instrument)* to review how well their policies and procedures meet the Child Care Development Fund's (CCDF) regulatory requirements to support program integrity and financial accountability. These requirements are aimed at reducing errors in payments and minimizing waste, fraud, and abuse, to ensure that funds are being used for allowable program purposes and for eligible beneficiaries. This *Instrument* can be used to help both State and Federal managers determine how well a grantee's internal controls are designed and functioning, and help them to determine what, where, and how improvements can be made.

The *Instrument* contains five sections corresponding to internal control standards outlined in the original Government Accounting Office (GAO) GAO Publication No. GAO-01-1008G. Each section contains a list of major elements and criteria, based on best practices, for grantees to consider when reviewing their current procedures and the degree to which their internal controls are effective. The criteria are provided as examples and are not considered to be all inclusive.

The tool contains the five sections listed below, which are broken into two parts for ease of use. Part I contains Sections 1-3; and Part 2 contains Sections 4-5.

1. Program Operations and Integrity
2. Eligibility Determination and Review
3. Fraud Prevention, Detection, Reporting, and Collection
4. Recent Audit Findings and Fiscal Monitoring
5. Information Systems

The *Instrument* is designed so that grantees can objectively examine their programs critically. The goal is for grantees to evaluate how well their agency meets each element and criterion. For each element the grantee should identify and document strengths in their current procedures, identify those areas in which there may be issues or risks and, if there are issues or risks, develop a mitigation strategy to address them. The grantees should document all strengths, issues, risks, and mitigation strategies in the Findings and Documentation section of the *Instrument*. In this way the grantee will establish areas to build upon as well as strategies to address the identified issues and risks.

Grantees may also assess the level of risk each element poses to their agency in the Results column. The risk levels are High, Medium, and Low. Grantees may rate as High Risk any elements for which the agency cannot meet any or most of the criteria for the standard. Medium Risk ratings indicate that the agency can meet some of the criteria but there are deficiencies that need to be addressed. Low Risk indicates the agency can meet all of the criteria. Grantees assess each area to develop a baseline risk-assessment score. Periodic reevaluation of risk scores will provide grantees with an indicator of improvement over time, as demonstrated by an overall reduction in risk levels.

The goal is for this tool to be useful in assessing internal controls as they relate to achieving the objectives of the agency, identifying areas of concern, and providing a mechanism to document and address those concerns. Ultimately, this tool can help grantees become more effective and efficient in their internal controls. This tool may also be useful in identifying issues with respect to preventing scarce assets from being used for improper payments caused by mistakes, inadequate controls, fraud, waste, or abuse.

GRANTEE INTERNAL CONTROLS *SELF ASSESSMENT INSTRUMENT* —Part 1

I. PROGRAM OPERATIONS AND INTEGRITY

The first internal control standard relates to the control environment—program operations and integrity. This standard addresses how the grantee's management practices meet the CCDF's regulatory requirements to support program integrity and financial accountability. The grantee reviews and addresses each of the key factors that affect the accomplishment of this goal.

Grantees should view the elements and criteria contained in this *Instrument* as a beginning point and not as an all-inclusive set of elements and criteria. Some of the elements and criteria are subjective in nature and require the grantee to use judgment when assessing them. Grantees should examine each of the elements and criteria, as they are important and can help the grantee to institute effective internal controls.

Suggested references and documents for completing this section:

Reference 45 CFR Part 98: http://ecfr.gpoaccess.gov/cgi/t/text/text-idx?c=ecfr&tpl=/ecfrbrowse/Title45/45cfr98_main_02.tpl

ACF-118 Pre-Print: http://www.acf.hhs.gov/programs/ccb/law/guidance/current/pi2011-03/state_plan_2012.pdf

Case Review Data Collection Instructions: http://www.acf.hhs.gov/programs/ccb/ccdf/ipi/data_final/data_final.pdf

Reference OMB Circular A-133 Single Audit : <http://www.whitehouse.gov/sites/default/files/omb/assets/omb/circulars/a133/a133.pdf>

Reference ACF-696 Instructions http://www.acf.hhs.gov/programs/ccb/law/state_topic_financial.htm

Reference ACF-800 and 801 Program Instructions: http://www.acf.hhs.gov/programs/ccb/law/state_topic_data.htm

Elements	Criteria	Findings/Results and Documentation	Risk Level (H,M,L)
<p>1. Submission of the biennial CCDF Plan (ACF-118) is required by CCDF regulations at 45 CFR § 98.17 and includes reporting grantee's actions to prevent, measure, reduce, and collect improper payments.</p>	<p>Grantee has systems in place to document that CCDF funds are spent in compliance with the law and the approved plan.</p> <p>High Risk—Noncompliance Medium Risk—Partial compliance Low Risk—Meets or exceeds</p>		
<p>Suggested guidance: Evaluate the strength of the accountability measures detailed in Sections 1.3.3 and 1.3.4 of the individual State Plan, as well as planned process improvements.</p>			
<p>2. CCDF regulations at 45 CFR § 98.100 require grantees to conduct case-record reviews to detect and reduce errors associated with eligibility determination, to ensure that families receiving subsidies are eligible.</p>	<p>Grantee has in place an ongoing case-review process and a plan that is clearly defined and consistent for all case reviews to reduce improper payment errors.</p> <p>High Risk—Noncompliance Medium Risk—Partial compliance Low Risk—Meets or exceeds</p>		
<p>Suggested guidance: Evaluate the process for conducting all case reviews, including the triennial improper authorization for payments reviews. Processes include staffing issues, project organization and communication, case-records access, training, and corrective-action planning and support by grantee managers and divisions.</p>			

Elements	Criteria	Findings/Results and Documentation	Risk Level (H,M,L)
<p>3. Grantees are required to have an audit conducted at the close of each program period in accordance with OMB Circular A-133 and CCDF regulations at 45 CFR § 98.65. The Lead Agency must report findings to the Department of Health and Human Services (DHHS), Office of the Inspector General (OIG).</p>	<p>Grantees has a system in place in which Managers review and evaluate audit findings, determine proper actions, take corrective actions within established timeframes, and use consultations with internal and external auditors and other reviewers, as appropriate.</p> <p>High Risk—Noncompliance Medium Risk—Partial compliance Low Risk—Meets or exceeds</p>		
<p>Suggested guidance: The grantee has a formal process that is supported by management and involves all subrecipients in any error-review and corrective-action planning.</p>			
<p>4. Grantees submit quarterly ACF-696 Financial Reports indicating the status of expenditures and uses of funds. 45 CFR § 98.</p>	<p>Grantee has a process that ensures the submission of accurate reports on a quarterly basis.</p> <p>High Risk—Noncompliance Medium Risk—Partial compliance Low Risk—Meets or exceeds</p>		
<p>Suggested guidance: Identify data sources used to compile the ACF-696, paying special attention to accuracy and any limitations that may affect the ability to claim matching for State expenditures. Ensure that all procedures and processes used in compiling the ACF-696 are well documented and adequate staff have been trained and are available to complete the report.</p>			

Elements	Criteria	Findings/Results and Documentation	Risk Level (H,M,L)
<p>5. Grantees submit administrative data reports on the number of children served and the characteristics of services and recipients (ACF-801 and ACF-800). 45 CFR § 98.</p>	<p>Grantee has a system in place to submit all required reports, which are set up to run on a quarterly basis, using data from the necessary sources.</p> <p>High Risk—Noncompliance Medium Risk—Partial compliance Low Risk—Meets or exceeds</p>		
<p>Suggested guidance: The grantee has a formal process for collecting child-level data for families served through subsidies, contracts, and grants, and to consolidate data for families served by multiple programs.</p>			
<p>6. CCDF regulations at 45 CFR § 98.90 require that grantees retain documentation showing they have expended funds in compliance with CCDF law for at least 3 years or until complete resolution of any litigation or similar legal action involving records. Grantees must make documents available to the Federal Government upon request.</p>	<p>Grantee has clear policy that outlines what information is to be retained. Grantee also has well-documented procedures for record retention and an archiving schedule.</p> <p>High Risk—Noncompliance Medium Risk—Partial compliance Low Risk—Meets or exceeds</p>		
<p>Suggested guidance: Identify the record-retention guidelines for the Grantee and subrecipients. Determine where and how data is maintained, including data accessibility and any business plans for storage and recovery.</p>			

Elements	Criteria	Findings/Results and Documentation	Risk Level (H,M,L)
<p>7. CCDF Regulations at 45 CFR § 98.11 require the Grantee to oversee the expenditure of funds by subrecipients; monitor programs and services; and ensure that subrecipients who determine individual eligibility operate according to rules established by the program.</p>	<p>Grantee has written agreements, outlining roles and responsibilities for meeting CCDF requirements, with subrecipient(s) that administer the program.</p> <p>Grantee monitors subrecipients' expenditure of funds; programs, and services; and ensures that subrecipient staff who determine individual eligibility operate according to rules established by the program.</p>		
<p>Suggested guidance: Identify formal methods used to communicate CCDF requirements to subrecipients and to monitor compliance.</p>			
<p>8. Expenditures not made in accordance with the Child Care Development Block Grant (CCDBG) Act implementing regulations, or the approved CCDF Plan, are subject to disallowance, pursuant to CCDF Regulations at 45 CFR § 98.66(a) and § 98.92.</p>	<p>In accepting the CCDF grant award, the grantee agrees to comply with all terms and conditions of the grant, including administrative requirements, financial and program progress reporting, and requirements for subrecipients and contractors. Expenditures not made in accordance with these regulations are subject to disallowance.</p> <p>High Risk—Noncompliance Medium Risk—Partial compliance Low Risk—Meets or exceeds</p>		
<p>Suggested guidance: Evaluate agency fiscal and eligibility control mechanisms and management review processes.</p>			

II. ELIGIBILITY DETERMINATION AND REVIEW

The second internal control standard is risk assessment of policies and procedures for eligibility determination and review. Grantees develop clear, consistent policies and procedures, at both the agency and program level, for accuracy in determining eligibility for families and children. When a grantee has established and articulated objectives, the grantee may be able to identify actual or potential risks/problems—internal and external—that could impede the accomplishment of those objectives in an efficient manner. When a grantee identifies potential risks/problems and their possible effect on the organization, they may be able to prevent those problems or reduce their impact. This section is designed to help agencies in this process.

Once again, this is not an all-inclusive list. It is a starting point from which grantees can begin to build a dynamic assessment of actual or potential risks/problems and mitigation strategies. Some of the elements and criteria are subjective in nature. Nevertheless, each of the elements and criteria is important and it is recommended that the grantee examine them closely.

Suggested references and documents for completing this section:

Reference 45 CFR Part 98: http://ecfr.gpoaccess.gov/cgi/t/text/text-idx?c=ecfr&tpl=/ecfrbrowse/Title45/45cfr98_main_02.tpl

ACF-PI-2010-06: <http://www.acf.hhs.gov/programs/occ/law/guidance/current/pi2010-06/pi2010-06.doc>

ACF-PI-2008-01: <http://www.acf.hhs.gov/programs/ccb/law/guidance/current/pi2008-01/pi2008-01.htm>

A. Accuracy

Elements	Criteria	Findings/Results and Documentation	Risk Level (H,M,L)
1. Grantees have policies and procedures to ensure that only eligible children are served. CCDF-ACF-PI-2010-06.	Grantee has policies and procedures to obtain, verify, and maintain documentation of applicants' identity, child's age, citizenship/qualified alien status, hours of care needed, family income, and applicants' work or		

Elements	Criteria	Findings/Results and Documentation	Risk Level (H,M,L)
	training status—for all applicants. High Risk —Noncompliance Medium Risk —Partial compliance Low Risk —Meets or exceeds		
Suggested guidance: Describe the process for collection and verification of CCDF eligibility requirements, for example, utilization of State data systems and third-party verification. Identify any vulnerability in the verification process and how the Grantee communicates requirements to subrecipients and staff responsible for determining eligibility. Identify and describe the leading causes of Missing and Insufficient Documentation (MID) errors and any procedures and processes the Grantee uses to address those errors.			
2. Grantee program integrity policies and procedures should not compromise program access and continuity of care for eligible families (CCDF-ACF-PI-2010-06).	Grantee program integrity policies and procedures minimize impact on eligible families' access and continuity of care. Results: High Risk —Noncompliance Medium Risk —Partial compliance Low Risk —Meets or exceeds		
Suggested guidance: Identify specific family-friendly application and redetermination procedures used to increase accessibility for families and encourage provider participation. Include outreach efforts and informational materials distributed to families and providers. For example, does the program provide for continued eligibility during temporary interruptions in employment or training?			

Elements	Criteria	Findings/Results and Documentation	Risk Level (H,M,L)
<p>3. Eligibility redetermination processes are well established and documented. 45 CFR § 98.20 and 98.44.</p>	<p>Grantee has written policies and procedures for periodic redeterminations of eligibility for child care. This includes redetermination schedules, documentation of changes, and other necessary actions to complete redeterminations.</p> <p>Results: High Risk—Noncompliance Medium Risk—Partial compliance Low Risk—Meets or exceeds</p>		
<p>Suggested guidance: List grantee’s formal redetermination schedules, requirements for redetermination documentation, policies and procedures, and other documentation describing the actions necessary to complete redeterminations. Describe the notification process, compliance deadlines and good-cause provisions, or other extensions for delays. Does the Grantee apply any specific policies to military families, children in protective services, and families displaced due to a disaster? Include those polices that ensure family-friendly processes and continuity of care.</p>			
<p>4. Grantee has policies and procedures in place to ensure that appropriate actions are taken in response to changes in a recipient’s circumstances. 45 CFR § 98.20 and 98.44.</p>	<p>The grantee has policy and procedures in place that include timeframes and actions to be taken in response to reported changes in recipients’ circumstances.</p> <p>Results: High Risk—Noncompliance Medium Risk—Partial compliance Low Risk—Meets or exceeds</p>		

Elements	Criteria	Findings/Results and Documentation	Risk Level (H,M,L)
<p>Suggested guidance: List specific policies that outline timeframes, notification, verification, and action requirements for reported changes. Describe policies and procedures by which the recipient's responsibilities for reporting changes are explained and communicated to the recipient. Describe methods by which a recipient notifies the grantee of changes in circumstances.</p>			
<p>5. Grantee has policies and procedures for eligibility determination to ensure the accuracy of authorizations. 45 CFR § 98.20. CCDF-ACF-PI-2010-06.</p>	<p>Grantee's procedures ensure that the authorization amount obligated is compliant with, or based on, the Lead Agency's policies and procedures.</p> <p>Results: High Risk—Noncompliance Medium Risk—Partial compliance Low Risk—Meets or exceeds</p>		
<p>Suggested guidance: Examine specific procedures for determination of the authorization amount for a child care subsidy. Describe controls designed to ensure that the authorized amount for each child is established in accordance with the Lead Agency's policies and procedures. Describe the process used to implement changes in policy and procedures from the CCDF error-rate determination process.</p>			
B. Monitoring			
<p>1. Lead agencies are responsible for monitoring the accuracy of eligibility determinations and the fiscal integrity of the child care program, whether or not the functions are conducted by</p>	<p>Grantee has a monitoring procedure to review eligibility determinations, redeterminations, and reported changes. The procedure includes a schedule for these monitoring reviews.</p> <p>Results:</p>		

Elements	Criteria	Findings/Results and Documentation	Risk Level (H,M,L)
<p>subrecipients or contractors. CCDF-ACF-PI-2010-06.</p>	<p>High Risk—Noncompliance Medium Risk—Partial compliance Low Risk—Meets or exceeds</p>		
<p>Suggested guidance: Describe the organizational structure and the ongoing monitoring review process designed to reduce improper payments.</p>			
<p>2. Grantee ensures that all children served by the CCDF receive care from eligible child care providers that are operating legally. CCDF-ACF-PI-2010-06.</p>	<p>Grantee verifies, maintains documentation for, and conducts reviews of, all providers receiving payment.</p> <p>Results: High Risk—Noncompliance Medium Risk—Partial compliance Low Risk—Meets or exceeds</p>		
<p>Suggested guidance: Examine the process used to determine whether providers are operating legally according to State law. Include policies that apply to out-of-State providers and communication protocols between licensing authorities and the grantee.</p> <p>Does your State utilize IRS TIN matching or other methods to verify the SSN of unlicensed individuals and to prevent identity theft?</p> <p>Describe child abuse and neglect and criminal background check policies for licensed and unlicensed providers. How often is the process repeated?</p>			

Elements	Criteria	Findings/Results and Documentation	Risk Level (H,M,L)
<p>3. The grantee monitors timeliness of eligibility determinations. CCDF-ACF-PI-2010-06. 45 CFR § 98.20.</p>	<p>Grantee has clearly defined policies for the timely processing of applications/redeterminations, which include a regular review process.</p> <p>Results: High Risk—Noncompliance Medium Risk—Partial compliance Low Risk—Meets or exceeds</p>		
<p>Suggested guidance: Examine the ongoing caseload-management processes designed to assure timely processing of applications/redeterminations. Include a description of case-processing priorities.</p>			

III. FRAUD AND ABUSE PREVENTION, DETECTION, AND RESPONSE

The third standard concerns internal control activities used by grantees to mitigate the risks identified during the risk-assessment process. These activities are an integral part of the grantee's planning, implementation, and review processes. Internal control activities are essential to holding programs accountable for effective and efficient program results.

Controls may include a wide range of diverse activities, such as approvals, authorizations, verifications, reconciliations, performance reviews, security activities, and the production of records and documentation. They are guided by the grantee's management directives on how to address the risks associated with program missions and objectives. Therefore, a manager or evaluator will assess whether control activities are appropriate and adequate for the risk-assessment process and are being applied effectively and efficiently. This analysis would include controls for computerized information systems. These elements and criteria are a beginning point. They are not an all-inclusive set of elements and criteria.

Suggested references and documents for completing this section:

Reference 45 CFR Part 98: http://ecfr.gpoaccess.gov/cgi/t/text/text-idx?c=ecfr&tpl=/ecfrbrowse/Title45/45cfr98_main_02.tpl

ACF-PI-2010-06: <http://www.acf.hhs.gov/programs/occ/law/guidance/current/pi2010-06/pi2010-06.doc>

ACF-PI-2008-01: <http://www.acf.hhs.gov/programs/ccb/law/guidance/current/pi2008-01/pi2008-01.htm>

Elements	Criteria	Findings/Results and Documentation	Risk
A. Prevention			
1. The grantee has procedures in place to detect fraudulent applications or payment authorizations before any improper payments are made. CCDF-ACF-PI-2010-06.	Grantee has specific processes and procedures to identify and flag cases with potential fraud risks before the payments are made. Results: High Risk —Noncompliance Medium Risk —Partial compliance Low Risk —Meets or exceeds		

Elements	Criteria	Findings/Results and Documentation	Risk Level (H,M,L)
<p>Suggested guidance: List any risk-assessment tools, interview questions, specific documentation standards, field investigations and collateral contacts, review of prior applications, other data systems, or similar processes and procedures that may help in the detection of potential fraud.</p> <p>Does the grantee employ targeted verification standards for cases with high-risk profiles; for example, families suspected of living above their means, self-employed families with marginal documentation, or in cases where parents are paid in cash</p>			
<p>2. The grantee has processes in place by which data and other sources of information are reviewed to detect both fraudulent and other types of improper payments in the existing caseload. CCDF-ACF-PI-2010-06.</p>	<p>Grantee establishes policies to do further checking on suspect or error-prone cases by using outside databases, data matching, or other strategies to confirm identity and income eligibility of families, and to find other sources of fraudulent/improper payments.</p> <p>Results: High Risk—Noncompliance Medium Risk—Partial compliance Low Risk—Meets or exceeds</p>		
<p>Suggested guidance: List any risk-assessment tools, interview questions, specific documentation standards, investigations or collateral contacts, data mining, review of prior applications, other data systems or similar processes and procedures that may help in the detection of potential fraud. These processes should, to the extent possible, be family-friendly processes and ensure continuity of care.</p>			

Elements	Criteria	Findings/Results and Documentation	Risk Level (H,M,L)
<p>3. The grantee has established processes to routinely check that providers are operating legally. CCDF-ACF-PI-2010-06.</p>	<p>Grantee establishes routine processes to do further checking on suspect providers by using outside databases, data matching, or other strategies to confirm that the provider is operating legally.</p> <p>Results: High Risk—Noncompliance Medium Risk—Partial compliance Low Risk—Meets or exceeds</p>		
<p>Suggested guidance: Describe any sharing of data with other major entitlement programs (TANF, SNAP, MA, CSE), licensing/accreditation agencies, and other administrative databases, either through data matches or automated interfaces, to identify suspicious provider activity.</p>			
B. Response			
<p>1. Grantee has a formal process for fraud referral management, tracking, and recoupment. CCDF-ACF-PI-2010-06. 45 CFR § 98.60(i), § 98.65, and § 98.67.</p>	<p>Grantee has a process for the reporting of suspected fraud, and management and tracking of the referrals at all levels of the organization.</p> <p>Results: High Risk—Noncompliance Medium Risk—Partial compliance Low Risk—Meets or exceeds</p>		

Elements	Criteria	Findings/Results and Documentation	Risk Level (H,M,L)
<p>Suggested guidance: Evaluate mechanisms used to support the reporting, processing and tracking of potential fraud cases or cases identified as potential fraud cases. Include a description of the procedures for referring suspected family and provider overpayment claims for investigation, reporting tools or reports, or grantee fraud hotline access, through U.S. mail, or direct telephone communications with the grantee.</p>			
<p>2. CCDF Regulations at 45 CFR § 98.60(i) require grantees to recover child care payments that are determined to be the result of fraud. Payments are to be recovered from the party responsible for the fraud. 45 CFR § 98.60(i), § 98.65, and § 98.67. CCDF-ACF-PI-2010-06.</p>	<p>Grantees are required to have a mechanism to ensure the recovery of fraudulent payments.</p> <p>Results: High Risk—Noncompliance Medium Risk—Partial compliance Low Risk—Meets or exceeds</p>		
<p>Suggested guidance: Evaluate the effectiveness of all recovery methods employed by the grantee, including non fraud recovery and administrative recovery activities. Ensure that the grantee reflects recovered funds as part of their Federal reporting.</p>			

Elements	Criteria	Findings/Results and Documentation	Risk Level (H,M,L)
<p>3. The grantee applies specific sanctions to clients and providers when an improper payment is due to fraud. 45 CFR § 98.60(i), § 98.65, and § 98.67.</p>	<p>Grantee has a mechanism to identify, refer, adjudicate, apply sanctions, and report fraud activity.</p> <p>Results: High Risk—Noncompliance Medium Risk—Partial compliance Low Risk—Meets or exceeds</p>		
<p>Suggested guidance: Describe the fraud adjudication processes such as administrative hearings, consent agreements, criminal or civil court proceedings, as well as the penalties imposed.</p>			

DRAFT SELF-ASSESSMENT OF INTERNAL CONTROLS INSTRUMENT—Part 2

IV. Recent Audit Findings and Fiscal Monitoring

The fourth standard concerns internal control activities used by grantees to mitigate the risks identified during the audit process. These activities are an integral part of the grantee's planning, implementation, and review processes. Internal control activities are essential to holding programs accountable for effective and efficient program results.

Controls may include a wide range of diverse activities, such as approvals, authorizations, verifications, reconciliations, performance reviews, security activities, and the production of records and documentation. They are guided by the grantee's management directives on how to address the risks associated with program missions and objectives. Therefore, a manager or evaluator will assess whether control activities are appropriate and adequate for the risk-assessment process and are being applied effectively and efficiently.

An integral part of the child care program is monitoring, which allows the grantee to examine and evaluate the performance of contract and noncontract providers who provide child care and other related services. This standard provides elements and criteria to gauge the effectiveness of the program. The standard also addresses the effectiveness of audits and other ongoing monitoring activities.

"Ongoing monitoring occurs during normal operations and includes regular management and supervisory activities, comparisons, reconciliations, and other actions people take in performing their duties. It includes ensuring that managers and supervisors know their responsibilities for internal control and the need to make control and control monitoring part of their regular operating processes. Separate evaluations are a way to take a fresh look at internal control by focusing directly on the control's effectiveness at a specific time. These evaluations may take the form of self-assessments as well as review of control design and direct testing, and may include the use of this *Instrument* or some similar device. In addition, monitoring includes policies and procedures for ensuring that all audit and review findings and recommendations are brought to the attention of management and are resolved promptly. Managers and evaluators should consider the appropriateness of the agency's internal control monitoring and the degree to which it helps them accomplish their objectives. Listed below are factors a user might consider. The list is a beginning point. It is not all-inclusive, and every item might not apply to every agency or activity within the agency. Even though some of the functions and points may be subjective in nature and require the use of judgment, they are important in establishing and maintaining good internal control monitoring policies and procedures."¹

Suggested references and documents for completing this section:

Reference 45 CFR Part 98: http://ecfr.gpoaccess.gov/cgi/t/text/text-idx?c=ecfr&tpl=/ecfrbrowse/Title45/45cfr98_main_02.tpl

Reference OMB Circular A-133 Single Audit : <http://www.whitehouse.gov/sites/default/files/omb/assets/omb/circulars/a133/a133.pdf>

¹ Government Accounting Office. (August 2001.) *Internal Control Management and Evaluation Tool*. (GAO Publication No. GAO-01-1008G). Washington, DC: U.S. Government Printing Office.

Elements	Criteria	Findings/Results and Documentation	Risk Level (H,M,L)
<p>1. Grantees are required to have an audit conducted at the close of each program period in accordance with OMB Circular A-133 and CCDF regulations at 45 CFR § 98.65. The grantee must report findings to the DHHS, and the OIG.</p>	<p>Grantee has a system in place for managers to review and evaluate audit findings, determine proper actions, take corrective actions within established timeframes, and use consultations with internal and external auditors and other reviewers, as appropriate.</p> <p>High Risk—Noncompliance Medium Risk—Partial compliance Low Risk—Meets or exceeds</p>		
<p>Suggested guidance: The grantee has a formal process that is supported by management and involves all subrecipients in any error-review and corrective-action planning.</p>			
<p>2. Management has mechanisms in place to review and address all findings of material weaknesses, reportable conditions, and other findings cited in monitoring assessments, OIG reviews, or other Government agency reviews conducted on the grantee within the last 2 years. OMB Circular A-133.</p>	<p>Managers review and evaluate audit findings, determine proper actions, take corrective action within established timeframes, and hold consultations with internal and external auditors, and other reviewers, as appropriate.</p> <p>Results: High Risk—Noncompliance Medium Risk—Partial compliance Low Risk—Meets or exceeds</p>		

Elements	Criteria	Findings/Results and Documentation	Risk Level (H,M,L)
	<p>Suggested guidance: Review all audits conducted during the past 2 years involving the child care subsidy program and determine whether there were findings. Describe and evaluate the actions taken to implement ongoing corrective actions, organizational changes, and changes in oversight, monitoring, reporting or employment of specialized or dedicated staff for quality assurance purposes.</p>		
<p>3. Management has mechanisms in place to review and address all material findings from monitoring assessments of subrecipients, OIG reviews, or other Government agency reviews conducted on the grantee within the last 2 years. OMB Circular A-133.</p>	<p>Management addresses all findings from subrecipient monitoring assessments.</p> <p>Results: High Risk—Noncompliance Medium Risk—Partial compliance Low Risk—Meets or exceeds</p>		
<p>Suggested guidance: Review all audits conducted on subrecipients during the past 2 years involving the child care subsidy program and determine whether there were findings. Describe and evaluate the effectiveness of corrective actions taken, such as organizational changes, changes in oversight and monitoring/reporting, and employment of specialized or dedicated staff for quality assurance purposes.</p>			

Elements	Criteria	Findings/Results and Documentation	Risk Level (H,M,L)
<p>4. Grantee provides accurate payments for child care services. OMB Circular A-133.</p>	<p>Grantee implements adequate internal control mechanisms for issuing accurate child care payments. These may include electronic transfer or check payment to the parent. Grantee determines the level of documentation required to ensure that payments are properly authorized.</p> <p>Results: High Risk—Noncompliance Medium Risk—Partial compliance Low Risk—Meets or exceeds</p>		
<p>Suggested guidance: Describe the process for payment of child care services, and internal controls used to confirm accurate billing and payments.</p>			
<p>5. The grantee produces reports used to monitor program activities and to identify inaccuracies or other issues that require follow-up. OMB Circular A-133.</p>	<p>The grantee has the capability to develop and generate monitoring reports that identify the activities of the contractor/subrecipients. The monitoring reports should include, but are not limited to, progress and status reporting, identification of inaccuracies and errors, or any deficiencies in the contractor/subrecipient's performance. The grantee uses this information to develop and implement any necessary</p>		

Elements	Criteria	Findings/Results and Documentation	Risk Level (H,M,L)
	<p>corrective-action plans.</p> <p>Results: High Risk—Noncompliance Medium Risk—Partial compliance Low Risk—Meets or exceeds</p>		
<p>Suggested guidance: Provide a list of reports that are used in the monitoring of contractors/subrecipients.</p> <p>Provide a description of the process used to develop corrective-action plans for contractors/subrecipients.</p>			
<p>6. Management monitors communications from external partners, including the general public. OMB Circular A-133.</p>	<p>The grantee investigates customer complaints regarding potential deficiencies.</p> <p>The grantee uses communications and reports from external partners as control-monitoring techniques. The grantee uses information from oversight groups about compliance or internal control functions to identify problems requiring follow-up.</p> <p>The grantee reassesses weak control activities.</p>		

Elements	Criteria	Findings/Results and Documentation	Risk Level (H,M,L)
	<p>Results: High Risk—Noncompliance Medium Risk—Partial compliance Low Risk—Meets or exceeds</p>		
<p>Suggested guidance: Provide a description of the process for receiving customer complaints.</p> <p>Explain how oversight groups, if any, are integrated into the organization’s internal control and planning process.</p>			
<p>7. Management uses the grantee’s organizational structure to provide oversight of internal control functions. OMB Circular A-133.</p>	<p>The grantee uses automated edits and checks, and other mechanisms, for controlling and monitoring the accuracy and completeness of transaction processing.</p> <p>The grantee uses separation of duties and responsibilities to help deter internal fraud.</p> <p>Results: High Risk—Noncompliance Medium Risk—Partial compliance Low Risk—Meets or exceeds</p>		

Elements	Criteria	Findings/Results and Documentation	Risk Level (H,M,L)
<p>Suggested guidance: Provide a description of the automated edits and controls used to monitor and ensure the accuracy of internal transaction processing.</p> <p>Describe the policy for separation of duties.</p>			
<p>8. The grantee researches and recommends improvements within the internal control structure. OMB Circular A-133.</p>	<p>The grantee has staff available internally, or through other entities, such as an internal audit department, to research and recommend improvements within the internal control structure.</p> <p>Results: High Risk—Noncompliance Medium Risk—Partial compliance Low Risk—Meets or exceeds</p>		
<p>Suggested guidance: Provide an organizational description of the internal audit function and staff responsibilities.</p>			

Elements	Criteria	Findings/Results and Documentation	Risk Level (H,M,L)
<p>9. Grantee meets with staff and subrecipients, if any, to receive feedback on the effectiveness of the internal control structure. OMB Circular A-133.</p>	<p>The grantee uses information and feedback about internal controls from training and planning sessions, and other meetings, to address problems or strengthen the internal control structure.</p> <p>The grantee uses staff suggestions in evaluating the effectiveness of internal controls.</p> <p>The grantee encourages staff to identify and report internal control weaknesses.</p> <p>Results: High Risk—Noncompliance Medium Risk—Partial compliance Low Risk—Meets or exceeds</p>		
<p>Suggested guidance: Provide a description of the process that the grantee uses to encourage, gather, and act on feedback from staff.</p>			
<p>10. Management uses separate evaluations or audits to review risk-assessment results, effectiveness of ongoing monitoring, and internal controls. OMB Circular A-133.</p>	<p>The grantee uses separate evaluations and audits to evaluate significant grantee or program changes.</p> <p>The grantee uses qualified staff or external reviewers to conduct separate evaluations or audits.</p>		

Elements	Criteria	Findings/Results and Documentation	Risk Level (H,M,L)
	<p>The grantee considers risk-assessment results, and the effectiveness of ongoing monitoring, when determining the scope and frequency of evaluations.</p> <p>Results: High Risk—Noncompliance Medium Risk—Partial compliance Low Risk—Meets or exceeds</p>		
<p>Suggested guidance: Describe the specific processes and documentation used to evaluate and audit the risk-assessment results.</p>			
<p>11. If the grantee’s internal audit department conducts evaluations, the auditors should have sufficient resources, expertise, and independence. OMB Circular A-133.</p>	<p>The internal audit department, or like entity, has sufficient levels of competent and experienced staff.</p> <p>The internal audit department, or like entity, is independent and reports to the highest levels within the agency.</p> <p>Results: High Risk—Noncompliance Medium Risk—Partial compliance Low Risk—Meets or exceeds</p>		
<p>Suggested guidance: Provide organizational information about the internal audit units or that of like entities.</p> <p>Provide general information about the qualifications of internal audit staff.</p>			

Elements	Criteria	Findings/Results and Documentation	Risk Level (H,M,L)
<p>12. Annual audit requirements are in place for contractors/subrecipients. OMB Circular A-133</p>	<p>The grantee ensures that audit requirements are in place, conveyed, and utilized by contractors/subrecipients.</p> <p>Results: High Risk—Noncompliance Medium Risk—Partial compliance Low Risk—Meets or exceeds</p>		
<p>Suggested guidance: Describe audit requirements and how the results of audits of contractors/subrecipients are monitored.</p>			

V. Control Activities Specific for Information Systems

Information systems and application controls attempt to measure the completeness, accuracy, and validity of all transactions that take place within the grantee's computer application. The controls include the computer programs themselves, as well as the policies and procedures that govern the operation of specific applications. Many grantees may not have direct day-to-day control over the operation of the computer systems used by their organization. Nevertheless it is their responsibility to ensure that all appropriate procedures are in place, followed, and tested. This section should be completed in conjunction with whatever entity(s) operates the child care subsidy computer systems, including contracted entities, where appropriate. For those grantees whose subrecipients have their own computer operations, the same level of review should be completed for each subrecipient.

Four major factors make up the information systems and application control activities. The grantee needs to consider the following:

- Entity-wide information system management and security program
- Access control
- Application software development and change control
- Information sharing
- Control over integrity of processing and data files
- Control over systems developed, operated, or maintained by vendors

As in previous sections, the elements and criteria provided here serve as a beginning point for grantees.

Suggested references and documents for completing this section:

Grantees should examine the applicable standards, policies, and procedures that govern the State's Information Technology Department. These standards may include, but are not limited to the:

International Organization for Standardization (ISO) 9000

National Institute of Standards and Technology (NIST)

Health Insurance Portability Accountability Act (HIPAA).

A. Entity-Wide Information System Management and Security Program

Elements	Criteria	Findings/Results and Documentation	Risk Level (H,M,L)
<p>1. The grantee periodically performs a comprehensive, high-level assessment of risks to its information systems.</p>	<p>The grantee performs and documents risk assessments regularly, and whenever systems, facilities, or other conditions change.</p> <p>The grantee documents final risk determinations and managerial approvals are kept on file.</p> <p>Results: High Risk—Noncompliance Medium Risk—Partial compliance Low Risk—Meets or exceeds</p>		
<p>Suggested guidance: The grantee ensures that information systems risk assessments are coordinated with the appropriate entity(s) that are responsible for operating the grantee’s computer systems. Adequate backup and offsite data storage and recovery procedures are in place for all data systems.</p> <p>Describe the business continuity plan in place for responding to disasters.</p>			
<p>2. The grantee periodically performs a comprehensive, high-level assessment of risks to the security of its data.</p>	<p>Risk assessments consider data sensitivity, security procedures, user profiles, and data integrity.</p> <p>The grantee documents final risk determinations and managerial approvals are kept on file.</p>		

Elements	Criteria	Findings/Results and Documentation	Risk Level
	Results: High Risk —Noncompliance Medium Risk —Partial compliance Low Risk —Meets or exceeds		
Suggested guidance: Ensure that policies and procedures governing data security and the access, storage, and transmission of confidential data are in place.			
B. Access Control			
<p>1. The grantee has established procedures in place and monitors those procedures for both physical and logical controls. Monitoring includes reviewing access to information systems, investigating apparent violations, and taking appropriate remedial and disciplinary action.</p>	<p>The grantee ensures that security software, such as firewalls and virus/malware protection, is up to date, and that passwords are encrypted and changed regularly.</p> <p>The grantee ensures that the same security measures are in place to secure both hardware and data at contractor and subrecipient sites.</p> <p>Results: High Risk—Noncompliance Medium Risk—Partial compliance Low Risk—Meets or exceeds</p>		

Elements	Criteria	Findings/Results and Documentation	Risk Level
<p>Suggested guidance: Review policies and procedures governing the acquisition and deployment of security software used as part of the grantee or subrecipient's computer system.</p>			
<p>C. Application Software Development and Change Control</p>			
<p>1. The grantee has established procedures for requesting reports, and both minor and major changes to their automated child care system(s).</p>	<p>Established procedures are in place for the grantee to request or modify existing reports, as well as processes and procedures to request both major and minor additions to the automated system used by the grantee. These can include modifications or new functionality for determining eligibility, collecting time and attendance, paying providers etc.</p> <p>Results: High Risk—Noncompliance Medium Risk—Partial compliance Low Risk—Meets or exceeds</p>		
<p>Suggested guidance: Describe the procedures used by the grantee to request and review changes and modifications to the child care automated system(s). These can include regularly scheduled meetings held between the grantee and the IT department or contractor that maintains the automated system; or an established process for making requests for new reports or modifications that include a method for prioritizing child care requests so that they can compete for IT resources with the other eligibility programs.</p>			

Elements	Criteria	Findings/Results and Documentation	Risk Level
<p>2. The grantee has established procedures to ensure control of its software libraries, including labeling, access restrictions, and use of inventories and separate libraries. The grantee tests and approves all new and revised releases of their software or new software that is added to their system.</p>	<p>Established procedures are in place, updated regularly, and implemented to control usage, maintenance, and access to software libraries, and to document version control and authorship.</p> <p>The grantee also ensures that contractors and subrecipients adhere to the same rigorous standards.</p> <p>Results: High Risk—Noncompliance Medium Risk—Partial compliance Low Risk—Meets or exceeds</p>		
<p>Suggested guidance: Review all policies and procedures governing the development and control of software used by the grantee or subrecipient's computer system.</p>			
<p>D. Information Sharing—The child care system may be part of an enterprise-wide system, a standalone system, or a hybrid of both. Regardless of the</p>			
<p>1. Grantee's automated system shares or integrates child care data with grantee's other systems.</p>	<p>The grantee protocols are in place to interface with, or integrate the data in, child care systems; and to verify and validate services and or supporting information with other relevant systems, such as TANF, SNAP, SSI, SSA, UI or other wage-verification</p>		

Elements	Criteria	Findings/Results and Documentation	Risk Level (H,M,L)
	<p>systems.</p> <p>Results: High Risk—Noncompliance Medium Risk—Partial compliance Low Risk—Meets or exceeds</p>		
<p>Suggested guidance: Review all appropriate policies, procedures, agreements, or memoranda of understanding that govern the exchange or interface of data between the grantee’s or subrecipient’s computer systems and other systems.</p>			
<p>2. The grantee has a system that allows for a data-mining process that explores the relationships between various elements of the child care process. (i.e., the relationship between what is authorized and what is actually paid.)</p>	<p>The grantee has specific reports and alerts defined that regularly compare the relationship between all factors of both child care eligibility and payment. For example, a report that shows the number of hours paid for a school-age child.</p> <p>Results: High Risk—Noncompliance Medium Risk—Partial compliance Low Risk—Meets or exceeds</p>		
<p>Suggested guidance: Determine whether the grantee’s data system can be used to extract specific data-mining reports that identify potential problem areas.</p>			

Elements	Criteria	Findings/Results and Documentation	Risk Level (H,M,L)
<p>3. Grantee has a data-sharing protocol that allows ad hoc reporting for management and monitoring of improper payments, e.g., red-flag reports, alerts, etc.</p>	<p>Grantee regularly generates and distributes reports from the child care system for management and monitoring of improper payments.</p> <p>Results: High Risk—Noncompliance Medium Risk—Partial compliance Low Risk—Meets or exceeds</p>		
<p>Suggested guidance: Examine the grantee’s capability to exchange data from its automated system with other external systems.</p>			
<p>4. The grantee should have procedures in place for staff to follow up and act upon when information, is obtained indicating possible fraud or improper action by staff, providers, or customers..</p>	<p>The grantee has established procedures by which data is shared with designated staff that are responsible for following up on information received and reporting results back to the originating party.</p> <p>Results: High Risk—Noncompliance Medium Risk—Partial compliance Low Risk—Meets or exceeds</p>		
<p>Suggested guidance: Examine the policies that are in place that direct staff on the proper response and follow-up on information that is received pertaining to possible fraud or improper actions by staff, providers or customers.</p>			