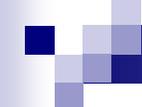


Objectives

- **To introduce participants to the requirements of Federal Grants Management.**
- **To provide sources of information and periodicals which are accessible to all.**



Grants Management An Auditor's Perspective

- **Grants Management includes:**
- **Grant Award Proposal Preparation**
- **Grant Award Negotiation**
- **Grant Award Accountability**
- **Grant Award Monitoring**
- **Grant Award Reporting**

Grants Management

- **This presentation provides historical information and highlights the expectations, and/or requirements for an entity who is a direct recipient, a pass-through entity or a subrecipient of Federal awards over their:**
 - **Grant Award Accountability, and**
 - **Monitoring responsibility.**

Background



Law makers at work, or auditors after discovering a fraudulent transaction?

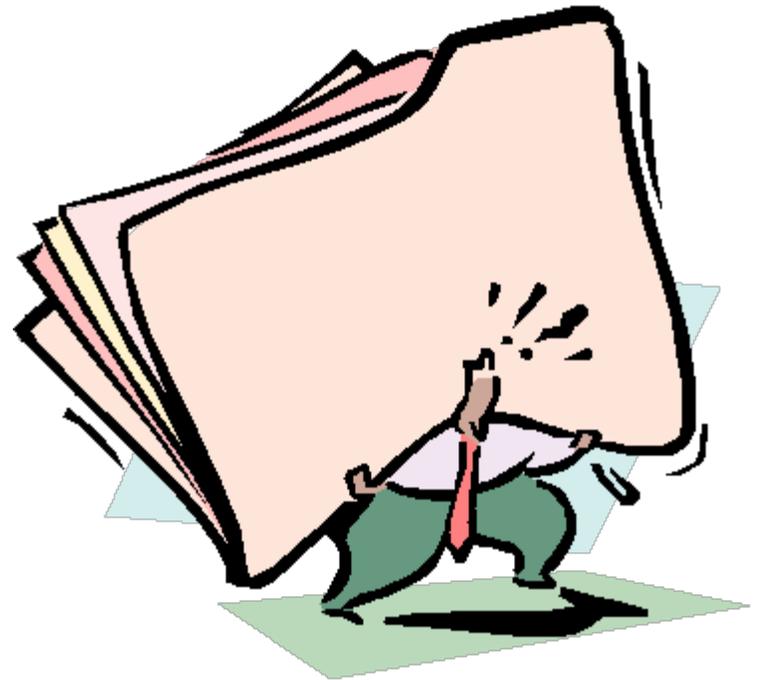
- As programs increased:
 - More technical assistance was needed.
 - More specific and stricter compliance requirements evolved.
 - Federal government needed a mechanism to recoup money from noncompliant grantees.

Background

- In 1968 Congress Passed the Intergovernmental Cooperation Act, which provided uniformity for certain administrative requirements.
- In 1971 OMB issued Circular A-102, *Uniform Administrative Requirements for Grant-in-Aid to State and Local Governments* (now called *Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments*).

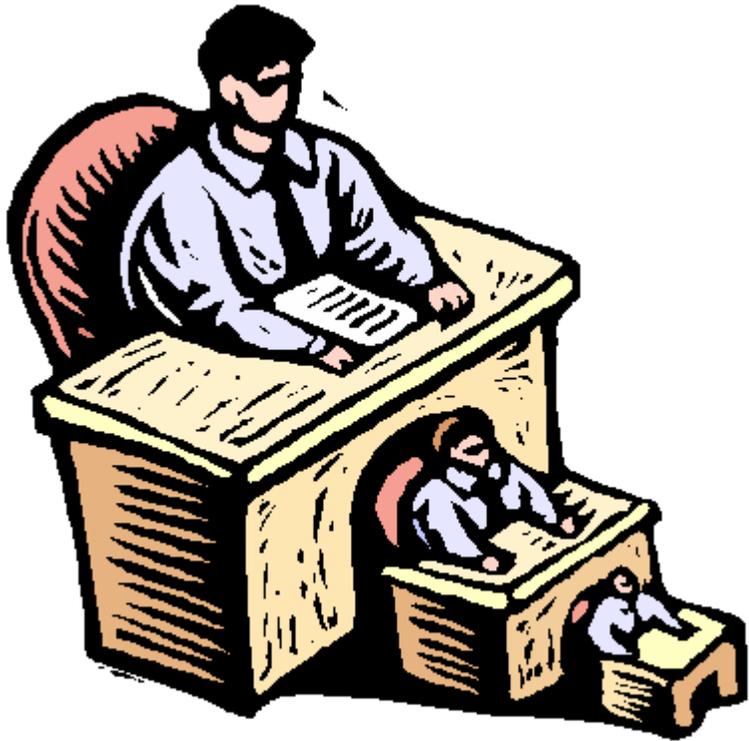
Background

- Within OMB Circular A-102 was a section prescribing standards for financial management systems of grant-supported activities of state and local governments.



**Just what we need.
more rules.**

Background



- In 1979 Attachment P to OMB Circular A-102 was issued.
 - Required the first organization-wide single audits.
 - Replaced 100 or so separate audit guides used in individual programs.

Background

- **In 1984 The Single Audit Act was enacted. This was to improve audit coverage and to clarify the single audit concept. This replaced the Attachment P audit requirements of OMB Circular A-102.**
 - **OMB Circular A-128 – Audits of State and Local Governments.**

Background

- In 1987 OMB revised Circular A-102 and the grants management requirements were codified into each Code of Federal Regulations.
- **State and Local Governments**
 - For HHS – 45 C.F.R. Part 92.
 - For Labor – 29 C.F.R. Part 97
- **Non-Profits/Universities**
 - For HHS – 45 C.F.R. Part 74.
 - For Labor – 29 C.F.R. Part 95

Background

- In 1990 OMB issued Circular A-133, *Audits of Institutions of Higher Education and Other Non-Profit Institutions.*
- This Circular was issued since universities and other non-profit recipients were excluded from coverage under the Single Audit Act of 1984.

Background

- In 1997 OMB issued revised Circular A-133. *Audits of States, Local Governments and Non-Profit Organizations.*
- This revision superseded the previous OMB Circular A-133 and rescinded OMB Circular A-128.

OMB Grants Management Circulars

■ Cost Principles

- A-21 – Colleges and Universities
- A-87 – Governments
- A-122 – Not-for-Profit

■ Administrative Requirements

- A-102 – Common Rule – Governments
- A-110 – Everyone Else

■ Audit Requirements

- A-133 and OMB Compliance Supplement - All

Relation to Other Circulars

Institution	Cost Principles	Administrative Requirements	Audit Authority
State/Local Government	A-87	A-102 “Common Rule”	A-133
Colleges & Universities	A-21	A-110	A-133
Hospitals & Care Facilities	Various, 45CFR 74	Various, A-110	Various, A-133
Other Non-Profits	A-122	A-110	A-133
For Profits	48 CFR Part 31	Federal Acquisition Regulations	Federal Acquisition Regulations

Layers of Grant Requirements

- **Legislation**
 - Authorizations: establish program, define purpose, prescribe eligibility standards and sets grant terms
 - Appropriations: make funding available
- **OMB Circulars** – Are adopted by agencies in their regulations
- **Public Policy Requirements** – Drug free work place
- **Agency Program & Administrative Regulations**
- **Other Agency Guidance** – Policies, contracts

Common Rule

- The Common Rule, *which was initially part of OMB Circular A-102*, is now the *Uniform Administrative Requirements for Grants and Cooperative Agreements to State, Local Governments*, codified into the *Code of Federal Regulations (CFR)*.

OMB Circular A-110

- **A-110 is *Uniform Administrative Requirements for Grants and Agreements With Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations.***

Financial Administration

45 C.F.R. Part 92

- **92.20(a) States:**
- **“A State must expand and account for grant funds in accordance with State laws and procedures for expending and accounting for its own funds. Fiscal control and accounting procedures of the State, as well as its subgrantees and cost type contractors, must be sufficient to-**

Financial Administration

45 C.F.R. Part 92

- (1) Permit preparation of reports required by this part and the statutes authorizing the grant and
- (2) Permit the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of applicable statutes.”

Financial Administration

45 C.F.R. Part 92

- **92.20(b) States:**
- **“The financial management systems of other grantees and subgrantees must meet the following standards:**
- **(1) *Financial Reporting.* Accurate, current, and complete disclosure of the financial results of financially assisted activities must be made in accordance with financial reporting requirements of the grant or subgrant.**

Financial Administration

45 C.F.R. Part 92

- **(2) *Accounting records.* Grantees and subgrantees must maintain records which adequately identify the source and application of funds provided for financially-assisted activities. These records must contain information pertaining to grant or subgrant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays or expenditures, and income.**

Financial Administration

45 C.F.R. Part 92

- **(3) Internal control. Effective control and accountability must be maintained for all grant and subgrant cash, real and personal property, and other assets. Grantees and subgrantees must adequately safeguard all such property and must assure that it is used solely for authorized purposes.**

Financial Administration

45 C.F.R. Part 92

- (c) An awarding agency may review the adequacy of the financial management system of any applicant for financial assistance as part of a pre-award review or at any time subsequent to award.



**Hi! I'm your friendly auditor,
and I'm here to help you!**



Grant Award Accountability

- **What components make up an effective internal control environment?**

Control Components

- **Control Environment**



Team Work

Control Components

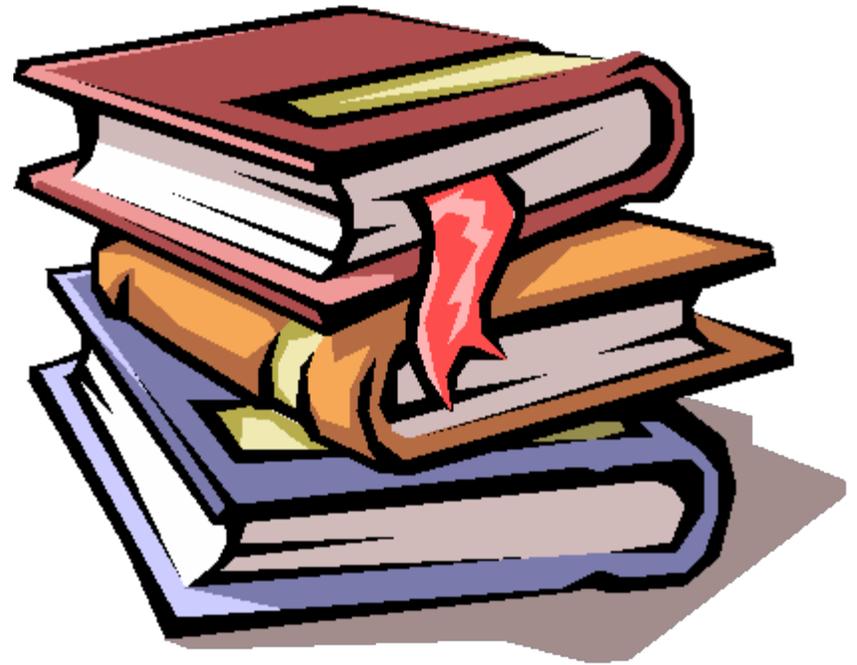


- Risk Assessment

Talk about your high risk coverage.

Control Components

- **Control Activities**



Memorize What?

Control Components



**New Staff Meeting
Format?**

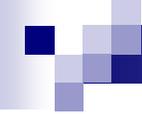
- **Information & Communication**

Control Components



■ Monitoring

**Crisis Management,
or don't fix until
broken attitude.**



Financial Administration

45 C.F.R. Part 92

- **(4) Budget control. Actual expenditures or outlays must be compared with budgeted amounts for each grant or subgrant....**

Financial Administration

45 C.F.R. Part 92

- **(5) Allowable cost. Applicable OMB cost principles, agency program regulations, and the terms of grant and subgrant agreements will be followed in determining the reasonableness, allowability, and allocability of costs.**

Cost Principles

- **OMB Circulars – Cost Principles**
 - **A-87- State, local or Indian tribal government**
 - **A-122 – Private nonprofit**
 - **A-21 – Educational institutions**
 - **48 CFR Part 31 – For profit organizations other than hospitals**

OBM Circular A-87 & A-122

- A-87

Government guidelines

- A-122

Non-profit guidelines

Which cost principles apply?

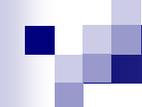
Example:

- The State of Ohio receives a Federal award: A-87 applies,
- Ohio passes funding to a County: A-87 applies,
- The County sub-awards funds to ProSenior, a nonprofit: A-122 applies.

OBM Circular A-87 & A-122

- Purpose

The Circulars establish principles and standards for determining costs for Federal awards carried out through grants, contracts, and other agreements.



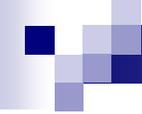
OBM Circular A-87 & A-122

Provides the guidance for federal awards to bear their fair share of cost recognized except where restricted or prohibited by law.



Cost allowability differences

Both sets of principles reflect essentially the same policies toward cost allowability and documentation.



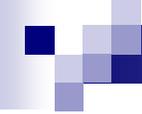
Primary Difference

- OMB Circular A-87 is comprised of 5 attachments
- OMB Circular A-122 is comprised of 3 attachments



Cost allowability differences

OMB intends to eliminate remaining differences as the circulars continue to be revised.



The General Policy...

"Failure to mention a particular item of cost in the...[circular] is not intended to imply that it is either allowable or unallowable, rather, determination of allowability in each case should be based on the treatment or standards for similar or related items of cost."

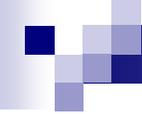
OBM Circular A-87 & A-122

- Attachment A: General Principles
- Attachment B: Selected Items of Cost
- MUST be used together.



Tests of Allowable Costs

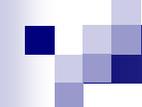
- Reasonable
- Allocable
- Conforms to limitations or exclusions
- Consistent
- Not prohibited



Tests of Allowable Costs

Follows GAAP

- Not used to meet cost-sharing or matching requirements of any other Federal award; and,
- Be adequately documented.



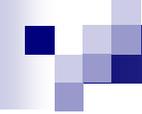
Reasonable Costs

A cost is reasonable if, in its nature or amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the costs.

Reasonable Cost (cont.)

Consideration shall be given to:

- Whether a cost is ordinary and reasonable
- Sound business practices
- Conditions of the award or other laws
- Comparable market prices
- Prudent Care
- Not in accordance with normal practices



Allocable Costs

A cost is allocable to a Federal award if it is treated consistently with other costs incurred for the same purpose in like circumstances.

Allocable costs (cont.)

Consideration will be given to:

- The relative benefit received
- Whether the cost was allocated to all activities
- Was the allocation made to overcome fund deficits?

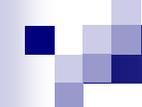


Applicable Credits

Applicable credits refer to those receipts or deductions of expenditure transaction that offset or reduce expense items allocable to federal awards as direct or indirect costs.

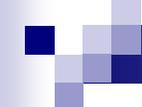
Applicable Credits (cont.)

- Examples include:
- Purchase discounts
- Rebates or allowances
- Recoveries or indemnities on loss
- Insurance refunds or rebates
- Adjustment of overpayments



Applicable Credits (cont.)

To the extent that such credits accruing to or received by the organization or government relate to allowable cost, they shall be credited to the federal award either as a cost reduction or cash refund, as appropriate.



Composition of Total Cost

The total cost of Federal awards is comprised of the allowable direct cost of the program, plus its allocable portion of allowable indirect costs, less applicable credits.

Direct Costs

Direct costs are those that can be identified specifically with a particular final cost objective.

Examples include:

- Compensation for time devoted specifically for the purpose of the award.

Direct Costs - Examples (Cont.)

- Cost of material acquired, consumed, or expended specifically for the award
- Equipment and other approved capital expenditures
- Travel expenses incurred in support of the award.

Indirect Costs

Indirect costs are those: (a) incurred for a common or joint purpose (b) not readily assignable to a specific cost objective (c) must produce an equitable distribution related to the relative benefits received.

Indirect Costs

Examples include:

- Administrative costs (e.g. human resources)
- General expense (e.g. insurance)
- Depreciation
- Maintenance costs
- Utilities

Classification of Cost

There is no universal rule for classifying cost as either direct or indirect.

Therefore, it essential that each item of cost be treated consistently in like circumstances either as a direct or an indirect cost.

General Rule

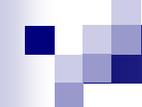
A cost may not be allocated to a federal award as an indirect cost if any other cost incurred for the same purpose, in like circumstances, has been assigned to a Federal award as a direct cost.

Intent of Classification of Cost Requirements

To prevent a practice where some of the cost of a given activity are directly identified to programs or functions while other costs that could also have been charged as direct are treated as indirect.

General Policy

- Identify all costs that can be directly assignable to a specific program or cost objective first.
- Remaining common costs should be supported by a cost allocation plan which is indicative of the relative benefits received.



Specific Examples - Equipment and Other Capital Expenditures

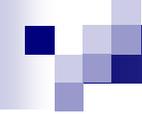
Capital expenditures which are not charged directly to a Federal award may be recovered through use allowances or depreciation on buildings, capital improvements, and equipment.

Specific Examples - Equipment and Other Assets

- "Equipment" means an article of nonexpendable, tangible personal property having a useful life of more than one year.
- "Other capital assets" means buildings, land, and improvements that extend the useful life.

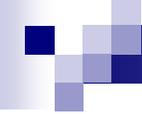
Capitalization or Expense

Items meeting the definition of equipment or other capital asset should be capitalized: When the cost of the item equals the lesser of (a) the capitalization level established by the governmental unit for financial statement purposes, or (b) \$5,000.



Depreciation Method

In absence of clear evidence indicating that the expected consumption of the asset will be significantly greater in the early portions than in the later portions of an asset's useful life, the straight line method of depreciation shall be used.



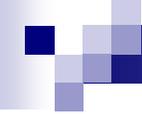
Property Records/Retention

Depreciation costs must be supported by adequate property records. Physical inventories must be taken as least once every two years to ensure the assets exist and are in use.



Common RMS Audit Issues

- Lack of case participant identifiers as required
- Lack of descriptive evidence related to hits for cases not yet established or general program



Common RMS Audit Issues

- Lack of documentary support for claimed program or activity
- Staff assigned to wrong RMS type (IM versus SS)

Examples of Unallowed Costs

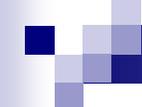
Examples of not allowable costs include:

- Alcoholic beverages;
- Bad debts;
- Personal use of automobiles;
- Donations or contributions;
- Entertainment fees;

Examples of Unallowed Costs

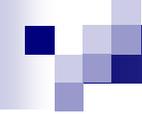
Examples of not allowable costs include:

- Goods or services for personal use;
- Fines or penalties;
- Lobbying costs;



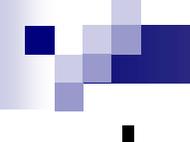
Is my cost allowed?

If an item is not listed in the Circular, but a similar item is, it may be that allowability can be determined by assessing the degree to which common characteristics exist between the two cost items.



Do I need prior approval?

It is advisable to seek advance understanding with the awarding or cognizant agency concerning particular costs if allowability is difficult to determine.



In conclusion, just ask yourself...

- CAN you justify this expense (to local auditors, state monitors, the federal auditors, and any other 'inquiring minds who want to know')?
- Do you WANT to justify this expense?
- If the answer is "NO" to either of the above questions, consider the expense Not Allowed.



5 words to remember...

- Necessary
- Reasonable
- Prudent
- Effective
- Efficient

Resources...

ASMB C-10 Implementation Guide for A-87

Know Net: The Audit Resolution and Cost Policy SuperSite

http://www.knownet.hhs.gov/policy/policy/c10/asmb_c-10.htm

Financial Administration

45 C.F.R. Part 92

- **(6) Source documentation. Accounting records must be supported by such source documentation as cancelled checks, paid bills, payrolls, time and attendance records, contracts and subgrant award documents, etc.**

Financial Administration

45 C.F.R. Part 92

- **(7) Cash management.** Requires that procedures for the transfer of funds from the U.S. Treasury to the grantee(s) should be as close as possible to the time of making the disbursements.
- **31 C.F.R. Part 205**
- **OMB Circular A-102 §__.20 and §__.21**



Cash Management

- **Prohibits cash draws in excess of immediate cash needs.**
- **Ensures the Federal government receives interest instead of state and local governments**

Cash Management

- **Applicable to both grantees and subgrantees.**
- **Applies to both advances and reimbursements.**
 - **Advance – receive money before expenditure is made**
 - **Reimbursement – receive money after expenditure is made.**

Cash Management

- **Request system must meet the standards prescribed by CFR.**
- **Be for immediate cash needs.**
- **Expenditures reported on cash basis for each request.**

Procurement

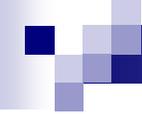
- **OMB Circular A-102 §___.36**
- **May use local standards as long as the standards cover the federal requirements and the basic principles all entities use, such as state procurement requirements.**
- **(Theory is to utilize the most stringent requirements that affect the purchase.)**

Equipment

- **OMB Circular A-102 §__.32**
- **Purchase using procurement policies.**
- **Equipment inventory must take place for federally purchased equipment once every two years.**
- **Inventory control system required**
- **Proper maintenance required.**

Equipment

- **Capitalization - \$5,000 or local capitalization threshold, whichever is lower.**
- **Can be used as long as project exists or may be used for other Federal projects once project terminates**
- **Disposal**
 - **<\$5,000 dispose according to local policies and use proceeds for program activities**
 - **>\$5,000 contact state agency and ask for written disposition for disposal.**



Objectives

- **Provide a general overview of the requirements of OMB Circular A-133**
- **Discuss the key roles of entities under A-133**
- **Address the responsibilities of county agencies as pass-through entities under A-133**

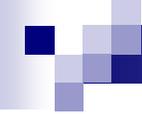
Overview of Circular A-133

- **Key terms under OMB Circular A-133:**

- Federal award

- Nonfederal entity

- Recipient

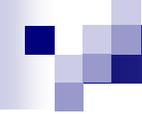


Overview of Circular A-133

Pass-through entity

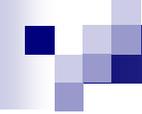
Subrecipient

Vendor



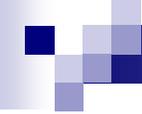
Overview of Circular A-133

- Sets uniform standards for the audit of States, local governments, and non-profit organizations expending Federal awards
- Includes definitions of key terms used in the Circular



Overview of Circular A-133

- Requires audit of “non-Federal entities” expending more than \$500,000 of Federal awards in a single year
- If expenditures are all in one Federal program, may be “program-specific” audit
- Otherwise, must be entity-wide Single Audit

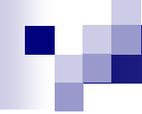


Overview of Circular A-133

- Circular provides guidelines for determining “Federal awards expended”
- Circular specifies responsibilities of “recipients,” “subrecipients,” “vendors,” “pass-through entities,” “auditees,” and “auditors.”

Subrecipient vs. Vendor Status

- **Characteristics of a subrecipient include:**
 - **Determines eligibility to receive Federal financial assistance**
 - **Has performance measured against whether objectives of a Federal program are met**
 - **Has responsibility for programmatic decision making**



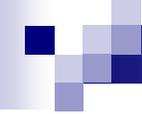
Subrecipient vs. Vendor Status

- Is responsible for adherence to applicable Federal program compliance requirements**
- Uses Federal funds to carry out a program of the organization, as compared to providing goods or services for a program of the pass-through entity**



Subrecipient vs. Vendor Status

- **Characteristics of a vendor include:**
 - **Provides goods or services within normal business operations**
 - **Provides goods or services to many different purchasers**
 - **Operates in a competitive environment**



Subrecipient vs. Vendor Status

- Provides goods or services ancillary to the operation of the Federal program**
- Is not subject to compliance requirements of the Federal program**

Subrecipient vs. Vendor

- In determining subrecipient/vendor status:
 - **The substance of the relationship is more important than the form**
 - **Characteristics may be mixed, and not all characteristics of one status may be present**



Subrecipient vs. Vendor

Example: A regional planning commission receives a Federal award for the feeding of elderly and low-income individuals, and the award is disbursed to non-profit organizations to support their programs. Is this a subrecipient or a vendor relationship?



Subrecipient vs. Vendor

This is considered a typical subrecipient relationship

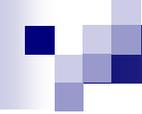
Subrecipient vs. Vendor

A non-profit organization receives a Federal award to operate a child care center, and pays a non-profit clinic to perform physical examinations. Is this a subrecipient or a vendor relationship?



Subrecipient vs. Vendor

This is considered a typical vendor relationship.



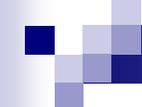
Subrecipient vs. Vendor

A non-profit theater group receives a Federal award from a state art commission to support a summer arts series. Is this a subrecipient or a vendor relationship?



Subrecipient vs. Vendor

This is considered a typical subrecipient relationship.



Subrecipient vs. Vendor

A local government receives a pass-through Federal award from a state government agency and passes through a portion of the Federal award to a non-profit organization to administer a Federal program. What is the status of these organizations?



Subrecipient vs. Vendor

Both the local government and the non-profit organization are subrecipients.

Subrecipient vs. Vendor

- Any entity which passes through Federal funds needs to decide and document whether a subrecipient or vendor relationship exists with the entities with which it is doing business
- If you are passing-through Federal funds to a subrecipient, then you must decide what type of monitoring you will be performing



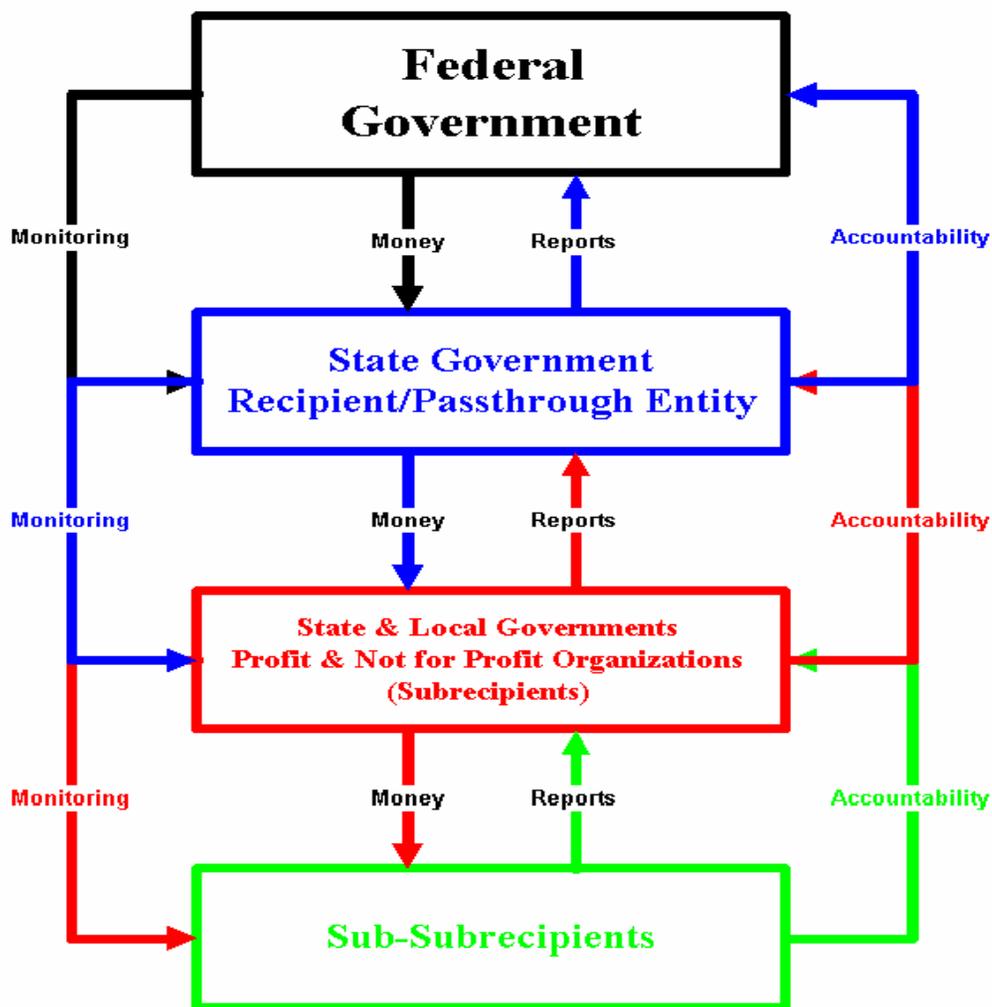
Subrecipient vs. Vendor

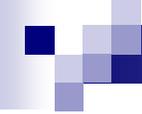
- A pass-through entity can take exception to determinations by its subrecipients of the status of entities to which the subrecipient passes-through federal awards

Subrecipients of the State

- Local Governments
- Other State Agencies
- Work Force Investment Areas (WIA)
- Colleges & Universities
- Schools
- Non-Profit Entities
- For Profit Entities (Federal Justice & HHS recognize them as subrecipients)

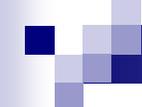
Federal Monitoring Model Recipient/Subrecipient Relationship





Pass-Through Entity Responsibilities

- Identify the federal awards to subrecipients
- Inform subrecipients of federal, state and local compliance requirements



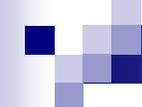
Pass-Through Entity Responsibilities

- Monitor subrecipient activities
- Ensure subrecipients have single audits if required. (Expend \$500,000 or more in a fiscal year)



Pass-Through Entity Responsibilities

- Provide technical assistance and training
- Issue management decisions within six months on subrecipients' single audit findings against their grants, and ensure corrective action was taken by subrecipients



Pass-Through Entity Responsibilities

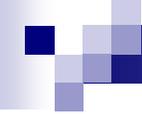
- Determine if pass-through entity must adjust their record as a result of subrecipient audits
- Require subrecipients to permit the pass-through entity and its auditor access to their records for monitoring and audit purposes.

For-Profit Subrecipients

- **Generally not subject to Circular A-133**
- **Pass-through entity must establish requirements to ensure compliance**
- **Contract/agreement should describe applicable compliance requirements**
- **If funds are received from HHS in excess of the A-133 threshold amount, must have either a financial audit under Government Auditing Standards or an A-133 Single Audit**

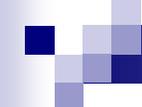
Vendors

- Pass-through entity must assure that procurement, receipt, and payment for goods and services comply with laws, regulations, and the provisions of contract or grant agreements
- If a vendor transaction is structured to make the vendor responsible for program compliance, the pass-through entity must assure compliance.



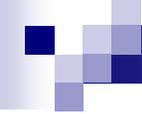
Subrecipient Responsibilities

- **Administer the grant from award to closeout**
- **Develop policies and systems to ensure effective management of federal funds and compliance with federal, state and local laws and regulations**



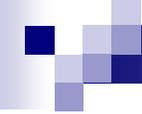
Subrecipient Responsibilities

- Ensure they have a grant financial management system, procurement and property management systems
- Have an established budget of costs to perform the program and a method for monitoring actual costs against the budget



Subrecipient Responsibilities

- Keep abreast of changes in policies, procedures or requirements and advise staff of any changes
- Request prior approvals when necessary
- Cooperate during on-site visits by the pass-through entity



Subrecipient Responsibilities

- Prepare necessary reports
- Keep the pass-through entity informed about subaward project progress
- Provide Single Audit reports to pass-through entities.



Subaward Agreement

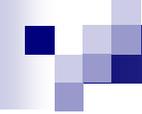
- For each subaward passed-through to each subrecipient there should be a subaward agreement
- This subaward agreement is potentially the most important tool for monitoring subrecipient activities

Key Provisions of a Subaward Agreement

- To identify Federal awards to a subrecipient, you must provide:
 - The CFDA number
 - Program name
 - Award year
 - Awarding agency
- Information is available at www.cfda.gov

Key Provisions of a Subaward Agreement

- Example of required information for Medicaid:
 - **93.778**
 - **Medical Assistance Program**
 - **October 1, 2004 to September 30, 2005**
 - **Centers for Medicare and Medicaid Services, Department of Health and Human Services**

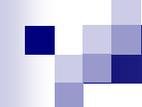


Key Provisions of a Subaward Agreement

- Scope of work, budget, and performance requirements
- Program authorizing legislation
- Program regulations

Key Provisions of a Subaward Agreement

- Administrative requirements
 - Grants Management Common Rule
 - Financial management
 - Procurement
 - Financial reports
 - Program reports
 - Records retention
 - Cost allocation/allowable cost



Key Provisions of a Subaward Agreement

- Payment
- Matching
- Period of availability
- Program income
- Real property



Key Provisions of a Subaward Agreement

- Equipment**
- Supplies**
- Monitoring (including access to records)**
- Audits**
- Additional requirements**



Key Provisions of a Subaward Agreement

- Structure of Agreement
 - Incorporation by reference
 - Certification statement
 - Additional guidance



Common Monitoring Procedures

- Review single audits
- Arrange for limited-scope audits
- Schedule site visits
- Review subrecipient reports



Common Monitoring Procedures

- Require prior approval for certain activities
- Require third-party evaluations
- Provide technical assistance and training
- Make telephone calls and e-mails
- Follow subrecipient coverage in the news

Which Monitoring Procedure Should Be Used

- Factors to consider:
 - Purposes and objectives of monitoring
 - Risk on noncompliance by subrecipient
 - Available resources

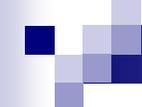
Which Monitoring Procedure Should Be Used

- Consider:
 - Determine the purpose and objective of the monitoring activity:
 - To ensure compliance with program requirements,
 - To identify problems with the administration and performance of the award,
 - To follow-up on corrective action,
 - To identify needed technical assistance



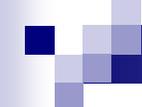
Which Monitoring Procedure Should Be Used

- **Consider the risk of noncompliance by the subrecipient:**
 - **The size of the subawards**
 - **History of non-compliance, and unsatisfactory performance**



Which Monitoring Procedure Should Be Used

- **The complexity of the compliance requirements**
- **Experience with administering federal subawards**
- **Financial instability**
- **Inadequate management systems (financial, procurement, property)**



Which Monitoring Procedure Should Be Used

- Assess the availability of your monitoring resources:
 - Must determine the most efficient and effective method to allocate your resources while obtaining assurance that your subrecipients are properly administering their subawards and accounting for program funds

Single Audits

- If a subrecipient expends \$500,000 or more in total federal financial assistance during their fiscal year then they are required to have an audit performed in accordance with OMB Circular A-133 (Single Audit)
- Pass-through entities must ensure that such subrecipients have their audits performed

Single Audits

- Cost of a Single Audits is an allowable reimbursable cost. Cost is paid by the entity being audited
- Subrecipient must provide pass-through entity a copy of the single audit report

Products of a Single Audit

- An opinion on the financial statements
- A report on the subrecipient's internal controls – reportable conditions and material weaknesses
- Information on a subrecipient's compliance with specific programs along with findings and questioned costs
- Could include a corrective action plan



Limitations of Single Audits

- Only tests compliance for major programs
- Higher materiality thresholds are usually used for testing. This may not satisfy the needs of the pass-through entity
- Only required to cover 50 percent of Federal awards



Limitations of Single Audits

- Reports are usually not available until nine months after the end of the fiscal year
- Limiting monitoring to review of the Single Audit is insufficient, as monitoring must occur throughout the year

Limited-Scope Audits/Program Specific

- Recommended for subrecipients exempt from the single audit requirements, including for-profit entities
- Cost of audit is allowable if subrecipient has not had a single audit. Cost of audit is paid for by the pass-through entity
- Only include an agreed upon procedure audit performed by an auditor in accordance with GAAS or attestation standards

Limited-Scope Audits

- **Pass-through entity would determine the procedures to be applied**
- **Limited to the following compliance requirements:**
 - **Activities allowed or unallowed**
- **Allowable costs/cost principles (A-87, A-21 & A-122)**
 - **Eligibility**
 - **Matching, level of effort and earmarking**
 - **Reporting**

Onsite Visits

- **Benefits of onsite visits:**
 - **Can inspect facilities and operations**
 - **Can interview staff to ensure they are informed of and carrying out program policy**
 - **Can review documents and records that support reports**
 - **Direct contact with program participants about how the program is benefiting them or could be improved**

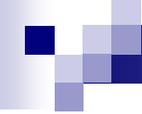


Onsite Visits

- Can view actual delivery of program services**
- Can become familiar with their operations & staff**
- Can learn about their progress and problems**

Onsite Visits

- **Why conduct onsite visits:**
 - **Program has complex compliance requirements**
 - **A high dollar program**
 - **A new Federal program**
 - **Program had prior audit or monitoring findings**
 - **The subrecipient is new to the pass-through entity, or to the program**



Onsite Visits

- High profile program, (high public interest)**
- Program administered by inexperienced staff**
- Subrecipient requested an onsite visit**
- Subrecipient had not been visited recently**

Onsite Visits

- Steps in onsite visits include:
 - **Development of monitoring policies and checklists**
 - **Planning**
 - **Scheduling and confirmation**
 - **Conducting the onsite visit**
 - **Follow-up**

Document Reviews

- This process would require that the subrecipient periodically submit:
 - **Supporting invoices or receipts for review before payment is made**
 - **Reports that include financial or performance information which support goals and the objectives of the program**

Document Reviews

- Purpose of desk reviews is to ensure:
 - Only correct amounts of federal funds are requested
 - Funds used only for program-related purposes
 - Only authorized personnel request funds
 - Funds are deposited into the proper account
 - Federal funds are properly accounted for

Document Reviews

- Considerations in use of document reviews include:
 - **Financial monitoring**
 - **Other Compliance requirements**
 - **Planning document reviews**
 - **Financial and progress reports**

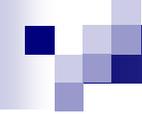
Prior Approvals

- Prior approval is usually required for:
 - Revisions for additional funding
 - Transfer of funds within the budget
 - Revision in scope of objectives
 - Extend the period of availability of funds
 - Changes in key personnel
 - Subcontracting



Prior Approvals

- Approvals should be in writing
- Prior approvals are recommended for “high-risk” subgrantees



Third-Party Evaluations

- Involves use of a consultant who specializes in grants administration to review the subrecipient's operations
- May use other parties such as special interest groups or community organizations to evaluate programs



Technical Assistance & Training

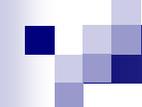
- Method of ensuring that subrecipients are familiar with general and program-specific requirements
- Allows the pass-through entity to answer questions, recommend techniques for carrying out the subaward, and develop a partnership with its subrecipients

Phone Calls & E-Mails

- Ability to:
 - Ask subrecipient questions about financial and progress reports
 - Interview staff about various subaward issues
- Can be done more frequently than formal monitoring

Monitoring Documentation

- **Pass-through entity should maintain detailed records and reports which document:**
 - **The monitoring date**
 - **Type of monitoring performed**
 - **Purpose of the monitoring activity and staff interviewed**
 - **Results of monitoring**
 - **Corrective action required**
 - **Follow-up needed**

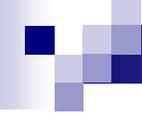


Monitoring Where the Subrecipient Has a Single or Program-Specific Audit

- Consider what monitoring best supplements the Single Audit
- Consider non-major programs, materiality, and compliance issues not addressed by the Single or Program-Specific audit

Monitoring Follow-Up On Single Audits

- Within six months of receiving a copy of a subrecipient's Single Audit, the pass-through entity must:
 - Issue a management decision on whether it sustains the audit finding(s) affecting their grant awards
 - The reason for its decision
 - The corrective action the subrecipient must take along with time frames



Monitoring Follow-Up On Single Audits

- Identify any appeal procedures that are available**
- Decide if it is necessary for the pass-through entity to adjust its own records**

Monitoring Follow-Up - Other

- **The pass-through entity must inform the subrecipient in writing the results of its monitoring. This notice should include:**
 - **Specific problems (e.g., misspent funds, internal control weaknesses, noncompliance with program requirements)**
 - **The type of corrective action required**
 - **Whether a corrective action plan is necessary**



Monitoring Follow-Up - Other

- The time frame for corrective action**
- What technical assistance that is available**
- Any additional monitoring that will be performed to ensure that corrective action has taken place.**

Insufficient Monitoring

- **Subject of audit findings by Auditor of State in State Single Audit**
- **May result in questioned costs or Federal sanctions for which the “causal county” may have financial liability**
- **Subject of audit testing by ODJFS auditors**
- **May result in questioned costs**



Adjustment of Pass-through Entity Records and Reports

- Questioned costs in subrecipient may require that pass-through entity adjust its financial records and expenditure reports
- Failure to appropriately adjust records and reports may be a noncompliance finding against the pass-through entity

Summary of A-133 Issues

- Maintain total accountability for each grant award
- Determine which entities are a subrecipient or vendor
- Have a subaward agreement for each award for each subrecipient with required language
- Determine what monitoring process will be used on each subrecipient

Summary of A-133 Issues

- Perform monitoring procedures
- Notify each subrecipient of results of monitoring
- Perform follow-up as needed
- Make sure there is adequate documentation on each subrecipient to allow an outside auditor to determine that proper monitoring procedures were performed

GAGAS

- **Relates to financial statements,**
- **Requires material inaccuracies to be reported.**
- **Standards applicable to state grants.**

OMB Circular A-133

- **Federal standards used to review federal grants.**
- **Requires Schedule of Expenditure of Federal Awards.**
- **Separate report and opinion on compliance for Federal award in relation to the financial statements.**
- **Separate report on internal controls**

Auditor's Review

- **Review 14 compliance requirements which cover all concepts of the program.**
- **Review 50% of federal dollars (25% if low-risk auditee)**
- **Report questioned costs over \$10,000 (actual or projected), material non-compliance and material internal control citations.**



Grant Administration

- **Are there any Questions?**