

Objectives

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

Background

- **In 1984 The Single Audit Act was enacted. This was to improve audit coverage for Federal awards to State and Local Governments**
 - **OMB Circular A-128 – Audits of State and Local Governments.**

Background

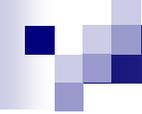
- In 1990 OMB issued Circular A-133, *Audits of Institutions of Higher Education and Other Non-Profit Institutions*
- This Circular was issued since universities and other non-profit recipients were excluded from coverage under the Single Audit Act of 1984

Background

- In 1997 OMB issued revised Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*

Overview of Circular A-133

- **Key terms under OMB Circular A-133:**
 - Federal award
 - Nonfederal entity
 - Recipient
 - Pass-through entity
 - Subrecipient
 - Vendor



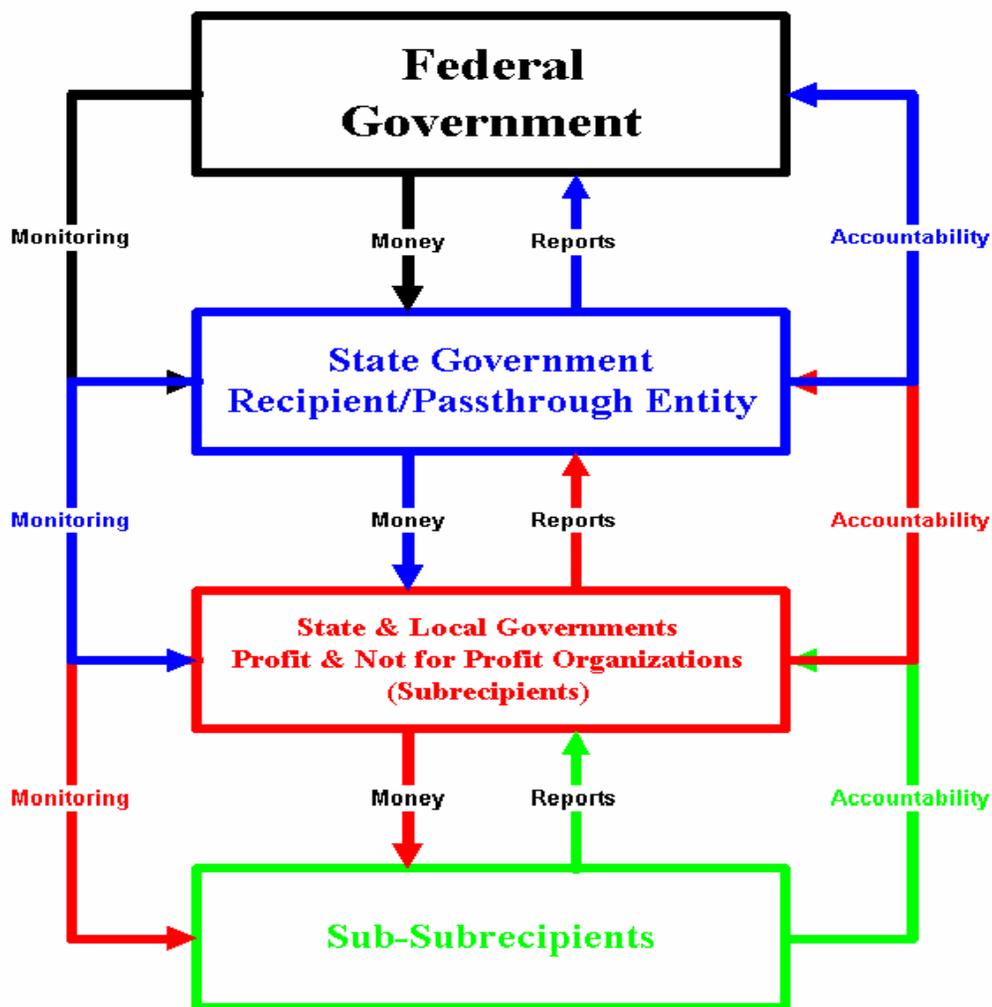
Overview of Circular A-133

- 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

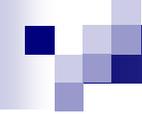
- Requires audit of “non-Federal entities” expending more than \$500,000 of Federal awards in a single year
- Circular provides guidelines for determining “Federal awards expended”
- Circular specifies responsibilities of “recipients,” “subrecipients,” “vendors,” “pass-through entities,” “auditees,” and “auditors.”

Federal Monitoring Model Recipient/Subrecipient Relationship



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

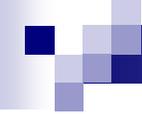
- Provides goods or services ancillary to the operation of the Federal program
- Is not subject to compliance requirements of the Federal program

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

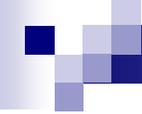
Subrecipient vs. Vendor

- 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



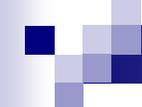
Subrecipient vs. Vendor

- 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



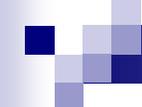
Pass-Through Entity Responsibilities

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



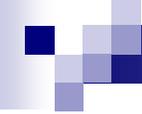
Pass-Through Entity Responsibilities

- 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 records 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

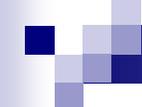
Vendors

- 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.



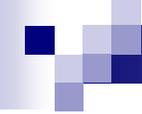
Subrecipient Responsibilities

- 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



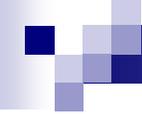
Subrecipient Responsibilities

- 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

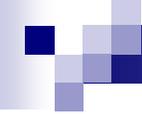
- For each subaward passed-through to each subrecipient there should be a subaward agreement
- This subaward agreement is potentially the most important tool for monitoring subrecipient activities

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

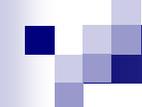
Key Provisions of a Subaward Agreement

- 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



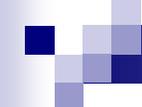
Key Provisions of a Subaward Agreement

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



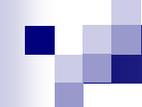
Key Provisions of a Subaward Agreement

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



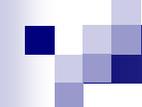
Key Provisions of a Subaward Agreement

- 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:

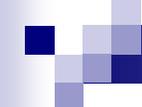
- Determine the purpose and objective of the monitoring activity:

- 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



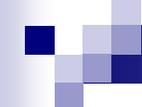
Which Monitoring Procedure Should Be Used

- 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:
 - How can you, given limited resources, most effectively and efficiently obtain reasonable assurance that your subrecipients are properly administering their subawards and accounting for program funds

Single Audits

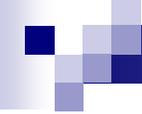
- If a subrecipient expends \$500,000 or more in total federal financial assistance during their fiscal year then they are required to have an audit performed in accordance with OMB Circular A-133 (Single Audit)
- Pass-through entities must ensure that such subrecipients have their audits performed

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 (possibly 25 percent)



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

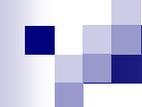
Prior Approvals

- 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

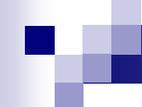
- Method of ensuring that subrecipients are familiar with general and program-specific requirements
- Allows the pass-through entity to answer questions, recommend techniques for carrying out the subaward, and develop a partnership with its subrecipients

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

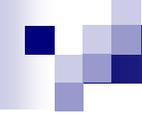


Monitoring Where the Subrecipient Has a Single or Program-Specific Audit

- 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 Pass-Through Responsibilities

- Determine which entities are subrecipients or vendors
- Communicate required information
- Have a subaward agreement for each award for each subrecipient with required language
- Determine what monitoring processes will be used on each subrecipient



Summary of Pass-Through Responsibilities

- Perform monitoring procedures
- Notify each subrecipient of results of monitoring
- Perform follow-up as needed
- Make sure there is adequate documentation on each subrecipient
- Obtain any required A-133 audits and perform management resolution



Grant Administration

- **Are there any Questions?**