

# Monitoring Subrecipients

Effective Date: 1/1/2005

## Monitoring Subrecipients Not Subject to OMB Circular A-133

### PURPOSE:

To establish responsibility for monitoring subrecipients receiving federal funds but not subject to the Office of Management and Budget's (OMB) Circular A-133 (Audits of States, Local Governments, and Non-Profit Organizations).

### DEFINITION:

Subrecipients not subject to OMB Circular A-133 are defined as for-profit and those non-profit organizations not meeting the federal expenditure threshold of \$500,000 per their fiscal year.

### PRACTICE:

The following subaward requirements will typically be imposed irrespective of the amount of the subaward and will be completed prior to issuing the subaward:

- a review of the debarred and suspended list and a certification statement in the subaward indicating that the subrecipient is not debarred or suspended from receiving federal funds and requiring notification to the Institute if its status should change;
- a certification statement in the subaward indicating that the subrecipient will notify the Institute if it becomes subject to OMB Circular A-133;
- submission of audited financial statements;
- completion/review of subrecipient profile;
- findings in any audit which impact the fiduciary management of the subaward must be submitted to the Institute;
- if necessary, perform a review of faxed subrecipient supplemental information;
- a statement in the subaward notifying the subrecipient that non-compliance with the terms and conditions of the subaward may result in the withholding of payment and/or immediate termination; and

In cases where any of the following indicate additional risk, stricter conditions and increased monitoring conditions may be imposed.

- current or prior experience (Institute or other pass through entities);
- supplied financial information;
- amount or percentage of the award passed through;
- complexity of the program;
- complexity of the compliance requirements;
- nature of the deliverable;
- external information (press releases, industry standards);
- high profile nature of the project; or
- nature of the organization, including the risk of subrecipient non-compliance as assessed by the Institute

Increased monitoring conditions may include:

- payments made on a milestone basis;
- reimbursement based upon receipt of detailed invoices with supporting backup documentation;
- restriction of budget categories based upon profile questionnaire;
- references regarding other awards performed for federal sponsors may be required and prior performance reports may be reviewed;
- performance of site visits of subrecipient to review financial systems and administrative operations and backup documentation to support invoiced expenditures, observe programmatic operations and project performance for deliverable requirements;
- establishment of a regular schedule for contact and continued communications with subrecipient;
- arrangement for an outside or program specific audit.

During the term of the subaward, the principal investigator is responsible for monitoring the activities of subrecipients, as necessary, to ensure that Federal awards are being used for their authorized purpose and that performance goals are achieved. In doing so, the principal investigator (or departmental designee) is required to review and approve all technical and financial reports. Principal investigator or departmental concerns regarding the contents of any required report(s) must be brought to the immediate attention of RA&F.

If during the term of the subaward RA&F determines that an annual report or other provided information includes findings or material non-compliance with federal laws and regulations that may effect the subrecipient's ability to comply with the terms and conditions, RA&F will discuss the findings with the principal investigator and the responsible departmental designee to determine an appropriate plan of action.

Ongoing monitoring procedures:

Within six months of the end of the pass through entity's fiscal year RA&F will request an audit report. Depending on risk with the particular subrecipient additional information may be requested.

Low risk – certification letter (profile questionnaire) that there has been no change since completing the profile that affects their financial or programmatic ability to successfully complete their scope of work.

High risk – once a subrecipient is identified as high risk more frequent oversight is required and will be monitored through the plan of action implemented in accordance with the above stated procedures for high risk cases. Corrective action plans for identified high risk areas may be requested.

## Monitoring Subrecipients Subject to A-133 Audit

### PURPOSE:

To ensure that subrecipients subject to A-133 audit have met the audit requirements of OMB Circular A-133.

### DEFINITION:

Subrecipients subject to OMB Circular A-133 are non-profit organizations exceeding the federal expenditure threshold of \$500,000 per annum.

### PRACTICE:

The Institute is required to collect from subrecipients subject to A-133 a certification that an audit has been completed within nine months of the end of their fiscal year. Management decisions on any audit findings must be completed 6 months after receipt. For new subrecipients, with whom we are not currently doing business, we must get a certification for their most recent completed fiscal year prior to issuing the subaward.

Standard processing procedures:

1. Each month send requests for certifications (or check the Federal Clearinghouse) to subcontractors subject to A-133 audit whose fiscal year ended nine months prior.
  - a. The subcontractor profile contains fiscal year, a flag indicating whether we need to collect a certification and years for which reports have been received.
2. At monthly intervals check FAC for timeliness of submission. If timely submission does not occur, send subrecipient a notice that will include a statement that we will suspend activity, including any future payments, by a specified date.
3. When certification (or verification in the FAC) is received update data mart and file materials:
  - a. If the subrecipient indicates expending less than \$500,000 of federal awards, notify the grant administrators with affected subcontracts. Monitoring practices for subawards not subject to A-133 must then be put in place.
  - b. If related findings are noted a full audit report is required:
    - i. The Director will review and comment on the full audit report. The review will identify the following:
      1. A-133 audits were conducted and filed timely.
      2. Awards, findings and prior unresolved findings. Identify those related to the Institute.
      3. Material issues of noncompliance.
      4. Reportable conditions related to internal controls.

- ii. If audit findings, material issues of noncompliance or reportable conditions related to internal controls impact the Institute, RA&F will request a corrective action plan from the subcontractor. Future funds to subcontractor are withheld until resolution is complete. RA&F will follow up to determine if timely action has taken place and the plan of corrective action has been implemented. RA&F will discuss the findings with the principal investigator and the responsible departmental designee to determine an appropriate plan of action.
  - iii. File annotated audit report. Retain for retention period.
4. Check contact and address information.
5. Verify fiscal year

Note: OMB has approved use of the Federal Audit Clearinghouse database (<http://harvester.census.gov/sac/>) as evidence to verify that the report was completed timely and that the subrecipient had "no audit findings". Certification requests will be sent to only institutions with possible findings identified.

## **When the Institute is the subcontractor**

### **PURPOSE:**

To notify pass-through entities for which the Institute is a subrecipient that we have met the audit requirements of OMB Circular A-133.

### **PRACTICE:**

The Institute is required to have its A-133 audit report completed nine months after the end of the fiscal year (March). Once completed, the report is sent to the FAC. If there is a flow through related finding, the Institute will forward a complete copy of the report to the appropriate entity. Institutions may send us a standard certification letter to sign. Some institutions will require a full audit report and/or corrective action plan (should there be findings) in addition to the certification.

Standard processing procedures:

1. Annually, upon receipt of our A-133 report, send certification notice to institutions for which we were a subrecipient during the covered fiscal year.
2. When certification request form is received from pass-through entity, complete, sign and return certification form; attach full A-133 if required.