

OREGON ACCOUNTING MANUAL	
Subject: Accounting and Financial Reporting	Number: 30.10.00.PO
Division: State Controller's Division	Effective date: April 2, 2007
Chapter: Federal Compliance	
Part: Statewide Single Audit	
Section:	
Approved: John Radford, State Controller	Original signature on file in SCD

Authority **ORS 291.003**
ORS 291.015
ORS 291.026
ORS 291.040
ORS 293.590
Single Audit Act of 1984 as amended in 1996
Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*

Roles and Responsibilities

- .101 The State and each of its agencies, boards, and commissions will comply with the provisions of the Single Audit Act, as amended, to ensure that the State continues to be eligible to receive federal funding. The State will comply with the reporting and auditing requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.
- .102 Statewide Accounting and Reporting Services (SARS) will issue a statewide Comprehensive Annual Financial Report (CAFR) on an annual basis, for the fiscal year ended June 30. The CAFR will include an opinion as to whether the State's financial position and results of financial operations is fairly presented in accordance with generally accepted accounting principles (GAAP).
- .103 The information for the Schedule of Expenditures of Federal Awards (SEFA) will be prepared by state agencies under the guidance of SARS.
- .104 As the constitutional auditor of public accounts, the Secretary of State Audits Division will provide the Statewide Single Audit Report as required by OMB Circular A-133.
- .105 With the assistance of the Audits Division and affected agencies, SARS will coordinate the preparation of the Corrective Action Plan and the Summary Schedule of Prior Audit Findings as required by OMB Circular A-133.
- .106 In conjunction with the Audits Division, SARS will prepare and submit a Data Collection Form with the Federal Reporting Package.
- .107 Agencies are responsible for maintaining their accounting records in a manner that enables SARS to prepare financial statements in accordance with GAAP. Agencies are also responsible for providing sufficient information when requested by SARS or the Audits Division to enable the State to comply with requirements of OMB Circular A-133.

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Federal Reporting Package

- .101 The Statewide Single Audit is a collective effort including all state agencies. To comply with provisions of the Single Audit Act, the State will prepare a federal reporting package as required by OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. This reporting package is required to include the following:
 - a. Comprehensive Annual Financial Report (CAFR) including the related auditor's opinion.
 - b. Schedule of Expenditures of Federal Awards (SEFA).
 - c. Statewide Single Audit Report.
 - d. Corrective Action Plan.
 - e. Summary Schedule of Prior Audit Findings.
 - f. Data Collection Form.

Schedule of Expenditures of Federal Awards

- .102 Statewide Accounting and Reporting Services (SARS) will manage the data collection and preparation of the SEFA. In order to facilitate the effective and efficient compilation of the SEFA, agencies that receive and expend federal awards must adhere to the federal reporting requirements described in OAM 15.42.00. Agencies are responsible for reviewing their federal expenditure data to ensure accuracy and completeness of the SEFA for their agency. The data will be collected from agencies in accordance with the year end closing schedule prepared by SARS.
- .103 SARS will review agency data and make any necessary changes by October 31 annually. The SEFA will then be submitted to the Audits Division for audit.

Corrective Action Plan

- .104 The Corrective Action Plan published by SARS details the audit findings developed by the Audits Division for the year ended June 30 in accordance with OMB Circular A-133. The Audits Division and affected state agencies will provide information needed to complete the plan.
- .105 The Corrective Action Plan shall provide information on the nature of the audit finding, the recommended corrective action, the name(s) of the contact person(s) responsible for corrective action, the corrective action planned by the agency, and the anticipated completion date.

Summary Schedule of Prior Audit Findings

- .106 The Summary Schedule of Prior Audit Findings published by SARS details the disposition of audit findings reported in the previous Statewide Single Audit. The disposition of these findings will be prepared to meet the provisions of OMB Circular A-133. Agencies will provide information needed to complete the summary schedule. The current status of the audit findings will be reported by the applicable agencies and incorporated into the schedule by SARS.

Data Collection Form

- .107 The Data Collection Form will be prepared jointly by SARS and the Audits Division. This form summarizes information as required by the federal government.
- .108 The administrator of the State Controller's Division, in conjunction with the director of the Audits Division, will sign the Data Collection Form. Their signatures certify that the State has complied with requirements of OMB Circular A-133, and the information included in the Data Collection Form is accurate and complete in its entirety.

Report Submission

- .109 The Audits Division will complete the audit and issue the Statewide Single Audit Report for each fiscal year ended June 30 in accordance with OMB Circular A-133.
- .110 SARS will file the Federal Reporting Package described in .101, with the federal clearinghouse designated by OMB. Unless an extension is granted by the federal government, the reporting package is due by the earlier of the following dates: (a) 30 days after receiving the auditor's report, or (b) nine months after the end of the audit period.

OREGON ACCOUNTING MANUAL		Number 30.20.00.PO
		Effective Date October 26, 2010
Oregon Department of Administrative Services State Controller's Division	Policy	
Chapter	Federal Compliance	.1 OF .1
Part	Statewide Central Service Cost Allocation	
Section		Approval Signature on file at SCD

Authority **ORS 291.015**
Office of Management and Budget (OMB) 2 CFR Part 225, Circular A-87, Cost Principles for State, Local and Indian Tribal Governments (Revised August 31, 2005)
Office of Management and Budget Circular A-21
Department of Health & Human Services (DHHS) publication ASMB C-10 Cost Principles and Procedures for Developing Cost Allocation Plans and Indirect Cost Rates for Agreements with the Federal Government – A Guide for State, Local and Indian Tribal Governments

Approval of Central Service Costs

- .101 Central service costs must be approved by the federal **cognizant agency** to ensure that such costs are allowable charges to federal funds.
- .102 The State will file a **Statewide Central Service Cost Allocation Plan (SWCAP)** to comply with **OMB Circular A-87** and to obtain approval by the State's cognizant agency for central service costs.
- .103 The State operates several central services which benefit all or most state agencies. Agencies providing central services are responsible for allocating central costs in an equitable manner to all state agencies. This is accomplished by billing all central services to user agencies. Although most central services are accounted for using internal service funds, some activities may also be recorded in other types of funds.
- .104 The Statewide Central Service Cost Allocation Plan must include all central services, regardless of fund type. Rates and assessments in this plan must comply with federal regulations.
- .105 As specified in OMB Circular A-87, the federal Department of Health and Human Services (DHHS) is the cognizant agency for the State.

Preparation of Statwide Central Service Cost Allocation Plan

- .106 **Statewide Accounting and Reporting Services (SARS)** is responsible for submitting the Statewide Central Service Cost Allocation Plan (SWCAP).
- .107 The SWCAP will be submitted by the due date specified in OMB Circular A-87, or by the due date negotiated with the State's federal cognizant agency.
- .108 State agencies that operate central services will provide the appropriate information to be included in the SWCAP. SARS will coordinate the collection of information and preparation of the SWCAP.
- .109 Failure to include a central service cost in the SWCAP may result in the affected central costs being ineligible for federal participation and the loss of federal grant money, resulting in agencies being unable to pay their invoices. In addition, the central service agency may be liable to the federal government for any unallowable costs or charges included in the rate or assessment.

OREGON ACCOUNTING MANUAL		Number 30.20.00.PR
Oregon Department of Administrative Services State Controller's Division		Effective Date July 1, 2001
Chapter	Federal Compliance	.1 OF .2
Part	Statewide Central Service Cost Allocation	
Section		Approval Signature on file at SCD

- .101 Statewide Accounting and Reporting Services (SARS) is responsible for coordinating the preparation and submission of the **Statewide Central Service Cost Allocation Plan (SWCAP)**.
- .102 Agencies that have a written agreement with a federal agency other than the **Division of Cost Allocation (DCA)**, or are dealing directly with the DCA, may be accepted from this rule upon application to, and written approval from, SARS.

Preparation of the Statewide Central Service Cost Allocation Plan

- .103 The SWCAP is compiled by SARS based on financial statements, descriptions of programs, and other documentation prepared by state agencies.
- .104 The SWCAP is to be prepared in accordance with **OMB Circular A-87**. The format of the SWCAP may be determined based on negotiations between the State and the federal cognizant agency.
- .105 SARS will provide instructions, timelines, and assistance to state agencies for the compilation of the SWCAP.
- .106 Agencies providing central services are responsible to provide the appropriate financial information, narrative summaries, and other pertinent information to SARS within established timelines. This information is to include the following:
 - a. Financial statements prepared in accordance with **generally accepted accounting principles (GAAP)**.
 - b. Narrative descriptions of central service activity.
 - c. An analysis of the fiscal period's financial activity in the format required by the cognizant agency.
 - d. A summary of the program's working capital needs.
 - e. A summary of revenue for the fiscal period reported in the SWCAP.
 - f. Any other information deemed necessary. This information will be provided for each central service activity reported in the SWCAP.
- .107 SARS will compile information from the agencies into the SWCAP to help ensure the document is prepared in a complete and consistent manner.
- .108 SARS will submit the completed SWCAP to the federal cognizant agency. In this role, SARS will ensure that the SWCAP is submitted in accordance with prescribed due dates. If necessary, SARS will obtain an extension of the SWCAP filing deadline.
- .109 Agency management is responsible for providing information to the federal cognizant agency when requested. SARS will provide assistance and counsel in coordinating discussions with the federal agency.

Rate Setting and Management of Central Service Activities

- .110 Agency management is responsible for setting rates for central services and monitoring the results of operations. The rate and assessment setting process should consider fixed costs, variable costs, breakeven point, projected units of production, and dollar business volumes, where applicable. Rates and assessments should be set on a GAAP basis. To set rates on a GAAP basis, consideration must be given to the concept that the goal of internal service and central service activities is to recover costs. Under the provisions of federal regulations, rates may include a factor to provide up to 60 days of working capital.
- .111 All approved rates will be developed in compliance with federal regulations including, but not limited to, **OMB Circulars A-87** and **A-21**. **Unallowable costs**, as defined by these circulars, will not be included in the approved rates that will be charged to federal programs. Unallowable costs must be funded from a source of state-only funds. All rates for central service activities that will be charged to federal programs must be submitted in the Statewide Central Service Cost Allocation Plan (SWCAP) and approved by the federal Division of Cost Allocation.
- .112 If rates include a factor for replacement of capital assets, the working capital will likely exceed the working capital limitations imposed by federal regulations. An agency may elect to fund purchases of capital assets from non-federal funding sources in the form of capital contributions that have no federal participation. Alternatively, capital assets can be purchased in a separate decision package requesting an appropriation through the budget process. Accumulated profits that exist in the central service funds are subject to reduction as specified by ASMB C-10.

Net Asset Balances

- .113 Agencies should manage their rates to try to keep the net assets (equity) balance within manageable levels. Except for special programs such as retirement systems or self-insurance programs, net assets are deemed to be excessive if they exceed the working capital needs of the program.
- .114 As specified in DHHS regulations, excessive levels of net assets should be reduced by one of three methods:
 - a. Rates can be reduced to reduce revenues. This would reduce net assets balance.
 - b. A credit may be issued to customer agencies to reduce the net assets balance.
 - c. The federal government can demand payment for any portion of net assets derived from charges to federal programs.

OREGON ACCOUNTING MANUAL

Subject: Accounting and Financial Reporting

Number: 30.30.00.PO

Division: State Controller's Division

Effective date: April 2, 2007

Chapter: **Federal Compliance**

Part: **Cash Management**

Section:

Approved: John Radford, State Controller

Original signature on file in SCD

Authority **ORS 291.003**
ORS 291.015
 31 CFR Part 205

Cash Management Improvement Act

- .101 The State and each of its agencies, boards, and commissions will comply with the provisions of the Cash Management Improvement Act (CMIA) of 1990, as amended, to ensure that the State minimizes payment of interest on federal funds. The CMIA was enacted to ensure efficiency, effectiveness, and equity in the exchange of funds between the states and the federal government related to federal assistance programs. The general provisions of the CMIA are as follows:
 - a. Federal agencies must make timely fund transfers and grant awards to state agencies.
 - b. State agencies must minimize the time between the deposit of federal funds in state agency accounts and the disbursement of funds for program purposes.
 - c. With minor exceptions, the State is entitled to interest from the federal government from the time the State's disbursement instruments are redeemed until federal funds are deposited in state agency accounts.
 - d. The federal government is entitled to interest from the State from the time federal funds are deposited in state agency accounts until the State disbursement instruments are redeemed.

Treasury-State Agreement (TSA)

- .102 The State will participate in the CMIA, as signified by the preparation of a Treasury-State Agreement (TSA). This agreement sets forth the terms and conditions for implementing the CMIA. The agreement shall be signed by the appropriate State official.
- .103 Federal assistance programs operated by the State will be included in the TSA when they meet the criteria for a Major Federal Assistance program as defined in the CMIA.
- .104 The criteria for defining Major Federal Assistance programs is based on the expenditures reported in the latest available Schedule of Expenditures of Federal Awards (SEFA).

Annual CMIA Report

- .105 Each year, the State's CMIA Annual Report must be submitted to the U.S. Treasury by December 31. This report provides an accounting for the CMIA interest liabilities. The liabilities can be owed either by the State or by the federal government.

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Chapter: Federal Compliance	
Part: Cash Management	
Section:	
Approved: John Radford, State Controller	Original signature on file in SCD

- .101 Statewide Accounting and Reporting Services (SARS) is responsible for coordinating the activities necessary to comply with the Cash Management Improvement Act of 1990, as amended. These activities include preparation of the Treasury-State Agreement (TSA) and the Annual Report to the U.S. Treasury Financial Management Service (FMS).

Treasury State Agreement (TSA)

- .102 The State will enter into a Treasury-State Agreement as required by the Cash Management Improvement Act (CMIA). The Cash Management Improvement Act System (CMIAS) provides a uniform format for the terms and conditions of the agreement. The TSA includes the following:
 - a. Listing of programs included in the agreement.
 - b. The funding techniques to be applied to programs in the agreement, including guidelines for requests for supplemental funding.
 - c. The methods and standards used to develop and maintain clearance patterns.
 - d. The method the State will use to calculate and document interest liabilities.
 - e. The types of interest calculation costs the State expects to incur.
- .103 Unless stated otherwise, the TSA will include major federal programs determined from the most recent Schedule of Expenditures of Federal Awards (SEFA) available. The threshold for major programs is based on a percentage specified in federal regulation that is applied to the dollar amount of all federal assistance received by the State.
- .104 SARS is responsible for collecting information from affected state agencies and for compiling the Treasury-State Agreement. Annually, SARS incorporates required changes or notifies FMS that no amendments to the TSA are needed. State agencies are responsible for providing appropriate, accurate, and complete information in a timely manner. SARS prepares the TSA in the CMIAS, based on information provided by agencies, and ensures it is approved by FMS and signed by the appropriate State official. Each TSA is effective until terminated.
- .105 When any changes in clearance patterns or funding techniques occur, agencies must notify SARS so that the TSA can be amended as appropriate. The State must notify the FMS in writing within 30 days of the time the State becomes aware of a change.
- .106 Clearance patterns refer to the number of days lapsed from the time a payment is made by a state agency until the time the disbursement is redeemed by the program recipient. The clearance pattern is used as the basis for the timing of funding requests.

- .107 A clearance pattern is based on at least three consecutive months of disbursement data, unless additional data is required to accurately represent the flow of federal funds, including seasonal or other periodic variations in clearance activity. A clearance pattern extends, at a minimum, until 99 percent of the dollars in a disbursement for federal program purposes have cleared.
- .108 Agencies shall maintain adequate documentation for the clearance pattern reported to SARS. This documentation is subject to audit.
- .109 The State must re-certify the accuracy of a clearance pattern at least every five years.
- .110 Funding techniques are the methods by which the federal government transfers funds to state agencies for their federally sponsored programs. Funding techniques should be efficient and minimize the exchange of interest between the State and federal agencies. The following sample funding techniques are discussed in the Code of Federal Regulations:
- a. Zero balance accounting. The amount of federal funds transferred to a state based on the actual amount of funds that are paid out by the state each day.
 - b. Projected clearance. This is a method of transferring federal funds to state agencies in accordance with a specified clearance pattern.
 - c. Average clearance. This is a method of transferring funds to a state agency based on the dollar-weighted average day of clearance for the disbursement. The dollar-weighted average day is determined from a clearance pattern as the day when, on a cumulative basis, 50 percent of disbursed funds have cleared.
 - d. Cash advance (pre-issuance or post-issuance) funding. This is a method of transferring the actual amount of federal funds to a state agency not more than three business days prior to the day the state makes payment. Funds permitted to be drawn early are not interest neutral and are subject to interest liability.
 - e. Reimbursable funding. This is a method of transferring federal funds to a state agency after the state has paid out its own funds for program purposes.
 - f. Other. FMS and the State may negotiate the use of mutually agreed upon funding techniques to address funding issues that are unique to the State of Oregon.
- .111 Agencies should review their funding techniques annually and report any changes to SARS. When selecting funding techniques, agencies are encouraged to use those that are interest neutral. Agencies are responsible to use the funding techniques specified in the TSA for each applicable fiscal year.

Annual CMIA Report

- .112 Each year, a CMIA report must be submitted to the FMS. SARS prepares the annual CMIA report in the uniform format provided by the FMS in the CMIAS. The annual report shall be completed in sufficient time to submit it by the due date of December 31.
- .113 State agencies will submit requested information for the annual report to SARS in a timely manner. Agencies are responsible to ensure the accuracy and completeness of the information provided.
- .114 Interest liabilities will be calculated by agencies in accordance with methods specified in the TSA.
- .115 When the calculated federal liability is greater than \$5,000, FMS requires additional supporting documentation. State agencies must provide detail supporting any liabilities owed by the federal government. This documentation is subject to audit and should be retained in accordance with records retention requirements.
- .116 For the most recently completed fiscal year, payment of the difference between federal interest and State interest liabilities must occur no later than March 31.

OREGON ACCOUNTING MANUAL

 STATEWIDE POLICY	NUMBER 30.40.00	SUPERSEDES 30.40.00 dated 04/21/2017
	EFFECTIVE DATE 08/15/2019	PAGE NUMBER Pages 1 of 8
Division Chief Financial Office	REFERENCE/AUTHORITY ORS 291.015 ORS 291.026 ORS 291.040 ORS 293.590 Single Audit Act of 1984 as amended in 1996 (Single Audit Act) 2 CFR Part 200 <i>Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards</i> (Uniform Guidance)	
Policy Owner Statewide Accounting and Reporting Services		
SUBJECT Accounting and Financial Reporting- Federal Compliance: Subrecipient Monitoring and Audit Reviews	APPROVED SIGNATURE <i>George Naughton, Chief Financial Officer</i> Signature on file	

PURPOSE

This policy provides guidance for agencies performing subrecipient monitoring and agency reviews.

APPLICABILITY

This policy applies to all state agencies included in the State’s annual financial statements, except for those agencies specifically exempted by [OAM 01.05.00](#).

FORMS/EXHIBITS/INSTRUCTIONS

None.

DEFINITIONS

Audit Agency: A state agency that has been assigned to review the Single Audit Report of a **subrecipient** organization, which may be a local government or non-profit organization.

Contractor: An entity that receives a contract (or legal instrument) by which a non-federal entity purchases property or services needed to carry out the project or program under a **federal award**. Although a non-federal entity may consider an agreement to be a contract, if the substance of the contract meets the definition of a federal award or **subaward**, the non-federal entity is not a contractor as defined here.

Contributing Agency: A state agency distributing federal funds to one or more local governments or non-profit organizations.

Cross cutting Issues: Issues that affect multiple federal programs such as inadequate internal controls or programs omitted from the **Schedule of Expenditure of Federal Awards (SEFA)**.

Federal Award: Federal financial assistance or federal cost-reimbursement contracts that non-federal entity receives directly from federal awarding agencies or indirectly from pass-through entities.

Schedule of Expenditures of Federal Awards (SEFA): A schedule of federally funded programs under which a government or non-profit organization expended federal aid, listed by Catalog of Federal Domestic Assistance (CFDA) number and amount expended. Additional information may be required in the SEFA depending upon the nature and form of the federal award or subaward. Required by the Single Audit Act.

Subaward: An award provided by pass-through entity to a **subrecipient** for the subrecipient to carry out part of a **federal award** received by the pass-through entity. It does not include payments to a **contractor** or payments to an individual who is a beneficiary of a federal program. A subaward may be provided through any form of legal agreement, including an agreement that a pass-through entity considers a contract.

Subrecipient: a non-federal entity that receives a **subaward** from a pass-through entity to carry out part of a federal program; but does not include an individual that is a beneficiary of such program. A subrecipient may also be a recipient of other **federal awards** directly from a federal awarding agency.

Uniform Guidance: Issued by the federal Office of Management and Budget (OMB). Establishes uniform administrative requirements, cost principles, and audit requirements for **federal awards** to non-federal entities. Supersedes federal award guidance found in OMB circulars A-21, A-50, A-87, A-89, A-102, A-110, A-122, and A-133.

Click here for other [definitions](#).

EXCLUSIONS AND SPECIAL SITUATIONS

None.

POLICY:

Subrecipient Monitoring

101. The State will monitor **subrecipients** of **federal awards** in accordance with **Uniform Guidance**. **Contractors** are not subject to certain provisions of Uniform Guidance related to subrecipient monitoring, but remain subject to all applicable federal, state, and local laws, rules, and regulations in accordance with grant and award agreements, and any compliance or audit requirements that are part of those agreements.
102. **Subrecipients** that expend less than \$750,000 per fiscal year in **federal awards** are not subject to the Single Audit Act and do not prepare a **Schedule of Expenditure of Federal Awards (SEFA)**. For purposes of determining and assigning **audit agencies**, Statewide Accounting and Reporting Services (SARS) has utilized a threshold of \$500,000 in federal funds passed through from all **contributing agencies** to a subrecipient during the fiscal year. The \$500,000 threshold ensures that subrecipients that expend federal awards and subawards from sources other than the State, and have a Single Audit conducted over their federal expenditures, are more likely to be reviewed. Even if a SEFA is not required to be prepared, subrecipients remain subject to other requirements specified in **Uniform Guidance** and all applicable federal, state, and local laws, rules, and regulations as well as grant or contract agreements.
103. SARS is responsible for collecting data on **federal awards** passed through from state agencies to **subrecipients** as **subawards**. This data collection is part of the annual preparation of the **SEFA**. Agencies will refer to the accompanying procedures for guidance related to complying with **Uniform Guidance**.

Contributing Agency Responsibilities

104. The **contributing agency** will make a determination whether the local government or non-profit organization is a **contractor** or a **subrecipient** in accordance with §200.330 of **Uniform Guidance** and include that determination in the contract. The contract shall also include the responsibility of the subrecipient to monitor any local government or non-profit organization subrecipient to whom it may pass funds.
- a. An entity may receive federal funds as a subrecipient and a contractor at the same time. Therefore, the contributing agency must make case-by-case determinations whether each agreement it makes for the disbursement of federal program funds casts the party receiving the funds in the role of a subrecipient or a contractor.
105. For all **subawards**, the **contributing agency** must clearly identify to the **subrecipient** that the federal financial assistance is a subaward and include the following required information at the time of the subaward (or if any changes occur, include the changes in subsequent award modification):
- a. **Federal Award** Information:
- Subrecipient's name, which must match registered name in Data Universal Numbering System (DUNS), and DUNS number.
 - Federal Award Identification Number (FAIN).
 - Federal award date.
 - Subaward period of performance state and end date.
 - Amount of federal funds obligated by this action.
 - Total amount of federal funds obligated to the subrecipient.
 - Total amount of the federal award.
 - Federal award project description, as required to be responsive to the Federal Funding Accountability and Transparency Act (FFATA).
 - Name of federal awarding agency, contributing agency, and contact information for awarding official.
 - CFDA Number and Name; the contributing agency must identify the dollar amount made available under each federal award and the CFDA Number at time of disbursement.
 - Identification of whether the award is research and development (R&D).
 - Indirect cost rate for the federal award (including if the de minimis rate is charged per §200.414 of **Uniform Guidance**).
- b. All requirements imposed by the contributing agency on the subrecipient so that the federal award is used in accordance with federal statutes, regulation and the terms and conditions of the federal award.

- c. Any additional requirements that the contributing agency imposes on the subrecipient in order for the contributing agency to meet its own responsibility to the federal awarding agency including identification of any required financial and performance reports.
 - d. An approved federally recognized indirect cost rate negotiated between the subrecipient and the federal government or, if no such rate exists, either a rate negotiated between the contributing agency and the subrecipient (in compliance with Uniform Guidance), or a de minimis indirect cost rate as defined in §200.414(b) of Uniform Guidance.
 - e. A requirement that the subrecipient permit the contributing agency and auditors to have access to the subrecipient's records and financial statements as necessary for the contributing agency and/or **audit agency** to meet the requirements of Uniform Guidance.
 - f. Appropriate terms and conditions concerning closeout of the subaward.
106. If any of the information in paragraph .105 is not available, the **contributing agency** must provide the best information available to the **subrecipient** to describe the **federal award** and **subaward**.
107. Additional requirements of **contributing agencies** providing **subawards** include:
- a. Evaluate each **subrecipient's** risk of noncompliance with federal statutes, regulations, and the terms and conditions of a subaward for purposes of determining the appropriate subrecipient monitoring.
 - Factors a contributing agency may consider in its risk assessment of a subrecipient are outlined in in §200.331(b)(1) – (4) of **Uniform Guidance**.
 - Depending upon the results of a contributing agency's risk assessment posed by a subrecipient, tools a contributing agency may find useful to ensure proper accountability and compliance with program requirements and achievement of performance goals are contained in §200.331(e)(1) – (3) of Uniform Guidance.
 - b. Consider imposing specific subaward conditions upon subrecipient if appropriate as described in §200.207 of Uniform Guidance.
 - c. Monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, in compliance with federal statutes, regulations, and the terms and conditions of the subaward; and that subaward performance goals are achieved. Contributing agency monitoring must include:
 - Reviewing financial (unless the responsibility of the audit agency, as described below) and programmatic reports required by the contributing agency.
 - Following-up and ensuring that the subrecipient takes timely and appropriate action on all deficiencies pertaining to the **federal award** provided to the subrecipient from the contributing agency through audits, on-site reviews, and other means.
 - Issuing a management decision for audit findings pertaining to the federal award provided to the subrecipient from the contributing agency within six months of acceptance of the audit report by the Federal Audit Clearinghouse.
 - d. Consider whether the results of the subrecipient's audits, on-site reviews, or other monitoring indicate conditions that necessitate adjustments to the contributing agency's own records.

- e. Consider taking enforcement action against noncompliant subrecipients as described in §200.338 of Uniform Guidance and in program regulations.
108. Payments for goods and services to **contractors** using **federal award** money generally are not subject to audit or other monitoring activities under **Uniform Guidance**. The **contributing agency's** compliance responsibility for contractors is only to ensure that the procurement, receipt and payment for goods and services comply with laws, regulations, and the provisions of contacts or grant agreements.

Audit Agency Responsibilities

109. Based on listings prepared by SARS, the state agency that distributes the largest amount of funds to any **subrecipient** shall be the responsible **audit agency**. An audit agency shall:
- a. Review the auditor's reports on the subrecipient's financial statements, internal control, and compliance with **federal awards**;
 - b. Verify the subrecipient obtained a Single Audit, if required;
 - c. Compare the subrecipient's **SEFA** to information provided to the audit agency from SARS and investigate differences;
 - d. Follow-up and resolve identified compliance deficiencies;
 - e. Request a revised SEFA if any material differences are identified;
 - f. Communicate any findings identified in the subrecipient's audit report to the applicable **contributing agency** (the communication must include the date the subrecipient's audit report was accepted by the Federal Audit Clearinghouse), so that the contributing agency may issue a management decision on the finding; and
 - g. Submit to SARS the Completion Letter for Review of Subrecipient Single Audit (sample located at [75.30.02.FO](#)) no later than September 30th of the year the assignment was made.
110. An **audit agency** may have monitoring responsibility for more than one **subrecipient**, but a subrecipient will report to only one audit agency.
111. Any agency already active as the **audit agency** for a special group of **subrecipients** may assume permanent responsibility for that group by notifying all affected parties, including other **contributing agencies**.
112. As part of the annual statewide Single Audit, the Secretary of State Audits Division is responsible for examining the **subrecipient** monitoring conducted by **audit agencies**.
113. The **audit agency** is responsible for monitoring state compliance with requirements for second level **subrecipient** review. The State's direct subrecipients must monitor **subawards** passed through to their own subrecipients. The audit agency must assure that assigned direct subrecipients monitor audits and expenditures relating to any second level subrecipients. Second level subrecipients are those local governments and non-profit organizations that receive subawards from a local government or non-profit organization that is itself receiving the subaward directly from a **contributing agency**.
114. **Audit agencies** will retain all **subrecipient** audit reports and associated checklists and workpapers for three years from the date of the audit report unless an exception to this

requirement outlined in §200.333(a)-(f) applies. The exceptions may extend or reduce the amount of time the records need to be retained.

PROCEDURES:

115. SARS will use information gathered in preparing the **SEFA** to identify the state agency that distributed the largest amount of **federal awards** to each **subrecipient** who received over \$500,000 in federal financial assistance. This agency will be designated as the **audit agency**. As noted in paragraph .102, SARS uses an audit agency threshold that is lower than the Single Audit threshold.
116. SARS will provide each **audit agency** a list of all federal financial assistance distributed during the year to **subrecipients** for whom they have been designated as the audit agency. The list will be compiled from the **SEFA**. This list will specify the CFDA number, the **contributing agency**, and the total distributions for each federal program.
117. The **audit agency** shall notify **subrecipients** of their assignment as audit agency and the purpose of the assignment under the provisions of **Uniform Guidance**.
118. The **audit agency** must review the appropriate reports and documents, which will likely be available via the Federal Audit Clearinghouse website. These documents include the subrecipient's audited financial statements, **SEFA**, summary schedule of prior audit findings, auditor's reports including the schedule of findings and questioned costs, corrective action plan, and other pertinent schedules and documentation. If the audit agency cannot locate the reports on the Federal Audit Clearinghouse website, the **subrecipient** must make them available. The subrecipient must submit these documents to the Federal Audit Clearinghouse within the earlier of: (1) thirty calendar days after receipt of the auditor's report, or (2) nine months after the end of the audit period, unless a longer period is agreed to with the audit agency.
119. The **audit agency** will review the submissions listed in paragraph .118 for each assigned **subrecipient**. The review must demonstrate compliance with **Uniform Guidance**. The Uniform Guidance review checklist will be used in the review (see OAM form **75.30.01 FO**). At a minimum, each audit agency will perform the reviews of the subrecipients' submissions in accordance with the following:
 - a. The audit agency shall assume all audit review responsibility under Uniform Guidance for their assigned subrecipients. The subrecipient period under review should be the subrecipient's fiscal year that ended within or at the same time as the State's fiscal year for which the monitoring assignments have been made. All correspondence to the subrecipient should be addressed to the governing body with a copy to the auditor, when appropriate.
 - b. If the audit report of the subrecipient is not received by the audit agency timely, the subrecipient must be contacted. In cases where the subrecipient demonstrates continued inability or unwillingness to have an audit conducted in accordance with Uniform Guidance, all **contributing agencies** should be notified so that appropriate sanctions may be taken. Possible sanctions mentioned in the §200.338 of Uniform Guidance are (a) temporarily withhold cash payments pending correction of the deficiency by the subrecipient or more severe enforcement action by the federal awarding agency or contributing agency; (b) disallow (that is, deny both use of funds and any applicable matching credit for) all or part of the cost of the activity or action not in compliance; (c) wholly or partly suspend or terminate the **subaward**; (d) recommend to the federal awarding agency that it initiate suspension or debarment proceedings; (e) withhold further subawards for the project or program, or (f) take other remedies that may be legally available. If an agency fails to impose such sanctions on

subrecipients that fail to submit audit reports, the matter may be cited as both a material weakness in internal controls and a compliance issue in the State's Single Audit.

- c. The subrecipient is responsible for preparing a response to the audit findings and a corrective action plan per §200.511 of Uniform Guidance. The audit agency shall review the corrective action plan to see that it:
 - Responds to all deficiencies cited in the audit report
 - Provides a reasonable corrective action plan for each deficiency
 - Provides for correction of the deficiencies within a reasonable period of time.
- d. If the corrective action plan is inadequate in any way, the audit agency must contact the subrecipient regarding the problems and agree upon the proper corrective action.
- e. The audit agency will be responsible for corrective action relative to its own programs and all **cross cutting issues**. A cross cutting issue is one that impacts more than one federal program. The other contributing agencies are to be notified of audit findings relative to their programs and will be responsible for follow-up action. The audit agency shall implement follow-up procedures to assure the corrective actions have been taken.
- f. The audit agency is responsible for identifying differences in amount or omission of grants on the subrecipient's **SEFA** by comparing the federal funds listed on the subrecipient's SEFA and the list received from SARS (see paragraph .116 above). The audit agency shall determine the cause for material differences, errors, omissions, or misstatements. This may entail obtaining additional information from the subrecipient, other contributing agencies or both, and doing a reconciliation. Materiality should be set by the audit agency and at the CFDA program level rather than for the SEFA as a whole. Professional judgment should be used in setting the dollar or percentage level of materiality. Contributing agencies must work with audit agencies and subrecipients as needed to resolve identified differences promptly. The audit agency may need to obtain a revised SEFA from the subrecipient once the differences have been resolved. A letter from the auditor of the financial statements and SEFA shall acknowledge and provide assurances on any revisions.
- g. The audit agency must follow-up and resolve deficiencies identified in the audit report review of a subrecipient including, but not limited to, the following:
 - Any issues involving general compliance requirements (e.g., cash monitoring, civil rights, and internal controls)
 - Program specific compliance requirements when the audit agency is also a contributing agency with regard to a specific federal program (e.g., restrictions on use of funds, cost allocation, and financial reports)
 - Any actions necessary when questioned costs are reported
 - Any corrective actions necessary when the audit does not meet the requirements of Subpart F of Uniform Guidance
- h. If the subrecipient has a finding pertaining to a subaward passed through from a contributing agency, the audit agency shall notify the contributing agency of the finding, so that the contributing agency may issue a management decision. The notification must include the date the subrecipient's audit report was accepted by the Federal Audit Clearinghouse, as the contributing agency has six months from that date to issue the management decision.

- i. The audit agency shall notify the subrecipient when all of the audit review procedures have been performed for a fiscal year and implementation of all corrective actions has been deemed acceptable. The audit agency must issue a report to the subrecipient upon completion of its review. Copies of the completed report and related documents should be provided to all contributing agencies at the end of the review. Deficiencies must be reported to the contributing agency. Specified federal agencies will receive copies upon request.
 - j. When the review of the subrecipient is completed, the audit agency shall notify SARS. All assigned Uniform Guidance audit reviews should be completed by September 30th of the year the assignment was made. A sample notification letter is available to accomplish this (see OAM form [75.30.02 FO](#)).
 - k. These steps summarize the primary audit review responsibilities for each audit agency. All steps in this review shall be documented in writing and copies retained at the audit agency. At any point in this process where the responsibilities of the subrecipient are not accomplished in a timely fashion, the audit or audit review discloses material problems, or corrective action is not taken properly or on a timely basis, the other contributing agencies must be notified by the audit agency.
120. When an audit finding in the **subrecipient's** single audit report pertains to a **federal award**, the **contributing agency** is required to issue a management decision within six months of acceptance of the report by the Federal Audit Clearinghouse. In the management decision, the contributing agency should clearly state whether or not it sustains the audit finding, the reasons for the decision and the expected subrecipient action to repay disallowed costs, make financial adjustments or take other action. If the corrective action has not been completed, the contributing agency should include a timetable for follow-up. Prior to issuing the management decision, the contributing agency may request additional information or documentation from the subrecipient, including auditor assurance related to the documentation, as a way of mitigating disallowed costs. The management decision should describe any appeal process available to the subrecipient. If an audit finding affects programs of more than one agency, the **audit agency** is responsible for coordinating the management decision for all affected agencies.