



Cost Principles Workshop

November 14, 2013

Martin O'Malley
Governor

Anthony Brown
Lt. Governor 1



OMB Circular Proposed Changes: Session 1

Presented by: Emy Neuman-Javornik, CPA CFE

Agenda

- Streamlining the Cost Circulars
- Changes to Indirect Cost Rates
- Time and Effort Reporting System Changes
- Other Changes in Miscellaneous Costs
- Questions

Question

- How quickly would you like to see changes implemented?
 - A. A. 6 months
 - B. B. 12 months
 - C. C. 18 months



Major Changes in Cost Circulars

- Proposal streamlines the eight existing OMB Circulars into one document including Circular A-133 and the various Cost Principles.
- Proposal consolidates the Cost Principles into a single document with limited variations by entity.
- Circulars included:
 - *A-21, Cost Principles for Educational Institutions*
 - *A-87, Cost Principles for State, Local and Indian Tribal Governments*
 - *A-89, Federal Domestic Assistance Program Information*
 - *A-102, Awards and Cooperative Agreements with State and Local Governments*
 - *A-110, Uniform Administrative Requirements for Awards and Other Agreements with Institutions of Higher Education, Hospitals and other Non-Profit Organizations*
 - *A-122, Cost Principles for Non-Profit Organizations*
 - *A-133, Audits of States, Local Governments and Non-Profit Organizations*
 - *A-50, Audit Follow-Up, (as related to Single Audits)*

Major Changes in Cost Circulars

- **GOAL** – To eliminate duplicative language while clarifying where there are important substantive policy variances across entities.
- **GOAL** – To provide updated language to reflect common current business practices, such as electronic submissions of information.

| Type of Cost | Main Source |
|----------------------------------------|-------------|
| Advertising and public relations costs | A-87 |
| Advisory councils | A-87 |
| Alcoholic beverages | A-87 |
| Alumni activities | A-21 |
| Audit services | A-87 |
| Bad debts | A-87 |
| Bonding costs | A-87 |

Major Changes in Cost Circulars

| Type of Cost | Main Source |
|-----------------------------------------------------------------------------------------------------|-------------|
| Commencement and convocation costs | A-21 |
| Collections of Improper Payments | New |
| Compensation – personal services | All |
| Compensation – fringe benefits | A-122 |
| Contingency provisions | A-21 |
| Contributions and donations | A-21, A-122 |
| Defense and prosecution of criminal and civil proceedings, claims, appeals and patent infringements | A-21, A-87 |
| Depreciation | A-21 |
| Employee morale, health, and welfare costs | A-21 |
| Entertainment costs | A-21 |

Major Changes in Cost Circulars

| Type of Cost | Main Source |
|------------------------------------------------------------------------------------------|-------------|
| Equipment and other capital expenditures | A-21, A-87 |
| Fines, penalties, damages and other settlements | A-21 |
| Fund raising and investment management costs | A-87 |
| Gains and losses on disposition of depreciable assets and relocation of Federal programs | A-87 |
| General government expenses | A-87 |
| Goods or services for personal use | A-21 |
| Idle facilities and idle capacity | A-87 |
| Insurance and indemnification | A-21, A-87 |
| Intellectual Property | New |

Major Changes in Cost Circulars

| Type of Cost | Main Source |
|-------------------------------------------------------------------|-------------|
| Interest | All |
| Lobbying | A-21, A-87 |
| Losses on other Federal awards or contracts | A-21 |
| Maintenance and repair costs | A-122 |
| Material and supplies costs, including costs of computing devices | A-122 |
| Meetings and conferences (External) | A-122 |
| Memberships, subscriptions, and professional activity costs | A-122 |
| Organization costs | A-122 |
| Participant support costs | A-122 |

Major Changes in Cost Circulars

| Type of Cost | Main Source |
|--------------------------------------|-------------|
| Plant and homeland security costs | A-122 |
| Pre-award (or Preagreement) costs | A-122 |
| Professional service costs | A-122 |
| Proposal costs | A-21 |
| Publication and printing costs | A-87 |
| Rearrangement and reconversion costs | A-87 |
| Recruiting costs | A-21 |
| Relocation costs of employees | A-122 |
| Rental costs of real property | All |
| Scholarships and student aid costs | A-21 |
| Selling and marketing costs | A-122 |

Major Changes in Cost Circulars

| Type of Cost | Main Source |
|--------------------------------|-------------|
| Specialized service facilities | A-21 |
| Student activity costs | A-21 |
| Taxes | A-21, A-87 |
| Termination costs | A-122 |
| Training and education costs | A-122, A-87 |
| Transportation costs | A-21 |
| Travel costs | A-21 |
| Trustees | A-21 |

Question

Computing devices are considered:

- A. Equipment
- B. Supplies
- C. Depends



Major Changes in Indirect Cost Rate

- Allows for extensions of negotiated rates up to four years if no major changes in F&A (Facilities and Administrative) costs with cognizant agency approval.
 - If the extension is granted the entity would not be allowed to request a rate review until the extension period ends.
- A minimum flat rate of 10% of modified total direct costs has been added to ensure that entities without the capacity for a full negotiation receive a minimum reimbursement for no more than four years while they develop the capacity to engage in full negotiations.
 - The subrecipient section specifically requires pass through entities to honor the Federally negotiated indirect cost rates, negotiate a rate in accordance with Federal guidelines or provide the minimum flat rate.

Major Changes in Indirect Cost Rate

- The salaries of administrative and clerical staff should normally be treated as indirect (F&A) costs
- The negotiated rates shall be accepted by all Federal agencies
- Special considerations for State, Local and Indian Tribal Governments
 - Certain services, (motor pools, computer centers, purchasing, accounting), are provided to operating agencies on a centralized basis. Central service costs can be identified and assigned to benefitted activities on a reasonable and consistent basis. The central service cost allocation plan provides that process.

Major Changes in Indirect Cost Rate

- Special considerations for Nonprofit Organizations
 - The Federal agency with the largest dollar value of awards with an organization will be designated as the cognizant agency for the negotiation and approval of the indirect cost rates.
 - The assignment will not be changed unless there is a shift in the dollar volume of the Federal awards to the organization for at least three years.

Question

Which of the following is something your entity would be interested in:

- A. Extensions of negotiated rates up to four years if no major changes
- B. 10% flat rate for new grantees/new cost rates up to four years
- C. None, we are not interested in pursuing an indirect cost rate
- D. Prefer to update annually



Time and Effort Reporting

- Currently different reporting under A-21, A-87 and A-122
 - A-87 and A-122 is based on time actually incurred through periodic (at least monthly) time and effort reporting.
 - A-21 is based on a system for establishing an estimate and determining that is a reasonable basis for the activity.
- New guidance is more in-line with A-21
- The three examples of acceptable systems (Activity Reports, Plan Confirmation and Multiple Confirmation Records) have been eliminated

Time and Effort Reporting

- Charges to Federal awards for salaries and wages, whether treated as direct or indirect costs, will be based on documented payrolls approved by a responsible official of the entity.
- The payroll distribution system will:
 - (i) be incorporated into the official records of the recipient,
 - (ii) reasonably reflect the activity for which the employee is compensated by the recipient, not exceeding 100% of compensated effort, and
 - (iii) encompass both Federally assisted and all other activities compensated by the recipient on an integrated basis, but may include the use of subsidiary records.
- In general, the distribution of salaries and wages must be supported by certifications of the consistency of charges with the work executed. All required certifications may either be provided electronically or on paper.

Time and Effort Reporting

- No documentation outside the payroll distribution system is required for the salaries and wages of employees who work in a single indirect cost activity.
- Where employees are expected to work **solely on a single Federal award** or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least **semi-annually** and **will be signed by the employee or a responsible supervisory official**.
- Certified reports reflecting the distribution of charges within the payroll for each employee (professional or nonprofessional) whose compensation is charged, in whole or in part, directly to Federal awards must be maintained.
 - The reports must provide an **after-the-fact certification of the conformance of payroll charges with the activity of each employee**, unless a mutually satisfactory alternative is approved by the awarding agency. In no case will certification periods exceed 12 months. **Budget estimates (i.e., estimates determined before the services are performed) do not qualify as support for charges to awards, but may be used for interim accounting purposes.**

Time and Effort Reporting

- Certified reports reflecting the distribution of charges within the payroll for each employee (professional or nonprofessional) whose compensation is charged, in whole or in part, directly to Federal awards must be maintained. (CONTINUED)
 - Because practices vary as to the activity constituting a full workload, reports may reflect categories of activities expressed as a percentage distribution of total activities.
 - When apportioning and certifying payrolls for institutions of higher education, a precise assessment of factors that contribute to costs is therefore not always feasible, nor is it expected. Reliance may be placed on estimates in which a degree of tolerance is appropriate. (teaching, research, service, and administration are often inextricably intermingled in an academic setting)
 - **Effort supported by a Federal award must be certified either by the individual employee or by an individual responsible for verification that the work was performed.** Where an individual employee receives support from multiple Federal awards and certification is performed by supervisory personnel, each certifier need address only elements relevant to their function.
 - For systems which meet these standards, the recipient will not be required to provide additional support or documentation for the effort actually performed.

Time and Effort Reporting

- Charges for the salaries and wages of nonprofessional employees, in addition to the supporting documentation described earlier, must also be supported by records indicating the total number of hours worked each day maintained in conformance with Department of Labor regulations implementing the Fair Labor Standards Act (FLSA)
- Salaries and wages of employees used in meeting cost sharing or matching requirements on awards must be supported in the same manner as salaries and wages claimed for reimbursement from awarding agencies.
- Substitute systems for allocating salaries and wages to Federal awards may be used in place of the reports if approved by the cognizant agency.

Question

The Time and Effort Reporting requirements:

A. Is similar to our current payroll procedures.

B. Will be a problem to implement for my entity.

B. Will require less work than what we are currently doing.



Other Cost Changes

- Revisions to reimbursement for utility costs to institutions of higher education
 - The 1.5% utility cost adjustment would be replaced with two options for reimbursement of utility costs.
 - Allow metering of their utility usage at the sub-building level instead of by building OR
 - Add a multiplier to their square footage used for research to calculate “effective” square footage for purposes of utility cost calculation.
- Charging directly allocable administrative support as a direct cost
 - Direct costs indicates that all work that is directly allocable to one award may be charged to that award, regardless of the type of task.
- Including the costs of certain computing devices as allowable direct cost supplies
 - Given the low cost of these items (far below the \$5,000 threshold) they fit within the supplies category

Other Cost Changes

- Clarifying the threshold for an allowable maximum residual inventory of unused supplies.
 - States that \$5,000 is the threshold for an allowable maximum residual inventory of unused supplies as long as the cost was properly allocable to the original agreement at the time of purchase.
- Eliminate requirements to conduct studies of cost reasonableness for large research facilities.
 - The previously existing language was removed.
- Eliminate restrictions on use of indirect costs recovered for depreciation or use allowances.
 - The previously existing language was removed.
- Eliminate requirements to conduct a lease-purchase analysis for interest costs and to provide notice before relocating federally-sponsored activities from a debt-financed facility.
 - The previously existing language was removed.

Other Cost Changes

- Eliminate requirements that printed “help-wanted” advertising comply with particular specifications
 - The previously existing language was updated to reflect more current media.
- Allowing for the budgeting for contingency funds for certain awards.
 - Contingency is that part of a budget estimate of future costs (typically of large construction projects, IT systems, or other items as approved by the awarding agency) which is associated with possible events or conditions arising from causes the precise outcome of which is indeterminable at the time of estimate, and that experience shows will likely result, in aggregate, in additional costs for the approved activity or project. **Amounts for major project scope changes, unforeseen risks, or extraordinary events may not be included.**
 - It is permissible for contingency amounts other than those excluded above to be explicitly included in budget estimates, to the extent they are necessary to improve the precision of those estimates.

Other Cost Changes

- Allowing for excess or idle capacity for certain facilities in anticipation of usage increases.
 - This has been added to the specific cost item of Idle Facilities and Idle Capacity.
 - The costs of idle facilities are unallowable except to the extent that:
 - They are necessary to meet fluctuations in workload including workload of information technology systems; or
 - Although not necessary to meet fluctuations in workload, they were necessary when acquired and are now idle because of changes in program requirements, efforts to achieve more economical operations, reorganization, termination, or other causes which could not have been reasonably foreseen. (limited to one year)

Other Cost Changes

- Allowing costs for efforts to collect improper payment recoveries.
 - This has been clarified in the Collections of Improper Payments
 - The costs incurred by a recipient to recover improper payments are allowable as either direct or indirect costs, as appropriate.
- Specifying that gains and/or losses due to speculative financing arrangements are unallowable.
 - No new language was included based on the comments and concerns that were received back.
- Providing non-profit organizations an example of the certificate of indirect costs.
 - Modified language in the indirect cost information.
 - Examples have been removed from the documents
- Providing non-profit organizations with an example of indirect cost proposal documentation requirements
 - Examples have been removed from the documents

Questions



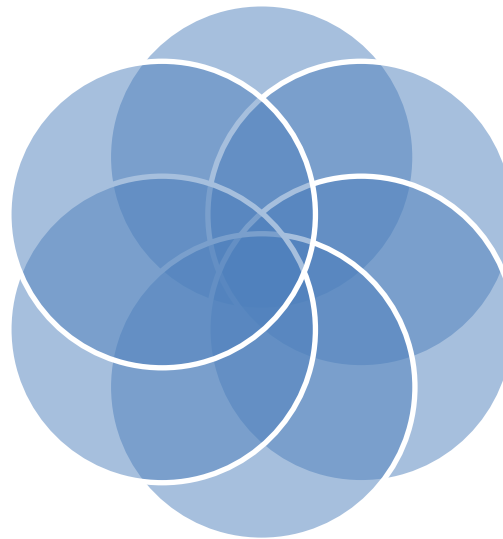


OMB Circular Proposed Changes: Sub-Recipient Monitoring

Agenda

Subrecipient
Monitoring

Subaward
Agreements



Subrecipient /
Vendor
(Contractor)
Determination

Subrecipient
Audits

Subrecipient
Reporting

Subrecipient / Vendor (Contractor) Determination

- **Current Guidance** - Subpart B – Audits - 210 Subrecipient and vendor determinations.
- **Proposed Revisions** - Subtitle II - Audits - 501 on Subrecipient monitoring with minor parts incorporated into 701
- **No Changes for this Determination**

Subrecipient / Vendor (Contractor) Determination

- All characteristics need not be present
- Judgment should be used in the determination process
- Documentation is key

Subrecipient Characteristics

- Provider determines eligibility.
- Provider has performance measured against federal program objectives.
- Provider responsible for programmatic decisions.
- Provider responsible for federal program compliance requirements.
- Provider uses federal funds to carry out its own program.

For-Profit Subrecipients

- OMB Circular A-133 does not apply
- Pass-through entity is responsible for establishing requirements for compliance

Subrecipient Audits/ Agreed Upon Procedures

- **Current Guidance** - Subpart B – Audits ____ .230 Audit costs - (b) Unallowable costs.
 - Allowed to charge Agreed Upon Procedures performed when the subrecipient does not have a single audit.
 - The AUPs should be:
 - Conducted in accordance with either the AICPA's generally accepted auditing standards or attestation standards,
 - paid for and arranged by a pass-through entity and
 - address only one or more of the following types of compliance requirements: activities allowed or unallowed; allowable costs/cost principles; eligibility; matching, level of effort, earmarking; and, reporting.
- **Proposed Revisions** - Subtitle II - Audits - 706 Audit Costs.
 - Added requirement that the AUPs be conducted in accordance with GAGAS attestation standards (Yellow Book Standards)

Subrecipient Reporting

Current Guidance - Subpart C – Auditees - 320 Report submission

- (e) Additional submission by subrecipients.
 - Auditees that are also subrecipients shall submit to each pass-through entity one copy of the reporting package when the schedule of findings and questioned costs disclosed audit findings.
- (g) Report retention requirements.
 - Pass-through entities shall keep subrecipients' submissions on file for three years from date of receipt.

- **Proposed Revisions**

- Removed requirement for pass-through entity to obtain and retain a copy of subrecipient reports since all will have access to FAC repository of reports.

Pass-through Entity Responsibilities

- **Current Guidance** - Subpart D – Federal Agencies and Pass-Through Entities - 400 Responsibilities (d) Pass-through entity responsibilities.
- **Proposed Revisions** - Subtitle II - Audits - 501 (c) Subrecipient Monitoring and Management.
- Major Changes over:
 - Subaward Agreements
 - Risk Assessment
 - Required Monitoring Activities

Subaward Agreements

Ensure that every subaward includes:

- All clauses required by Federal statute, regulations, guidance, E.O.s and their implementing regulations;
- Administrative, national policy, and program-specific requirement that the Federal awarding agency requires the pass-through entity to flow down to subawards and subrecipients;
- Any additional Federal requirements that the pass-through entity imposes on the subrecipient in order for the pass-through entity to meet its own responsibility to the Federal awarding agency;

Subaward Agreement (continued)

- 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 pass-through and subrecipient entities or a de minimus indirect cost rate equal to 10% of total modified direct costs.
- A requirement that the subrecipient permit the pass-through entity and auditors to have access to the subrecipient's records and financial statements as necessary for the pass-through entity
- Appropriate terms and conditions concerning closeout of the subaward.

Subaward Agreement (continued)

- Consider imposing specific subaward conditions upon a subrecipient that has materially failed to comply with the general and program-specific terms and conditions of a subaward.
- Inform the subrecipient of the CFFA title and number, Federal award name and number, Federal award year, whether the Federal award is research and development (R&D), and the name of the Federal awarding agency.
 - Information should be provided at the time of Federal award and with each annual continuation of the subaward.
 - If a disbursement contains funds from multiple Federal awards or non-Federal funds, the pass-through entity shall identify the dollar amount made available under each Federal award.
- Ensure that subrecipients are aware of requirements imposed upon them by Federal laws, regulations, the provisions of subawards, and any supplemental requirements imposed by the pass-through entity.

Subaward Agreements

- Agreements shall outline:
 - Scope of Work
 - Budget
 - Performance Requirements
 - Key provisions must include minimum administrative requirements:
 - Financial Management
 - Procurement
 - Financial Reports
 - Program Reports
 - Records Retention
 - Cost Allocation
 - Payment
 - Matching
 - Period of Availability
 - Program Income
 - Real Property
 - Equipment
 - Supplies
 - Monitoring
 - Audits
 - Other

Subaward Agreement - Additional State Requirements

States -

- Shall follow state law and procedures when awarding and administering subawards. Federal agencies shall also require states to follow do the following:
 - Ensure that every subaward includes a provision for Record Retention
 - Conform any advances of Federal subaward funds to subrecipients to substantially the same standards of timing and amount that apply to cash advances by Federal awarding agencies.

Subrecipient Monitoring

- Data Analysis
- Risk Assessment
- Monitoring Procedures
 - Desk Reviews
 - On-site Reviews
 - Audit Report Reviews
- Monitoring Follow-up
- Impact on Audit

Monitoring - What, Why, Who, and When?

- What is monitoring?
 - A process that evaluates how a grantee is administering a grant according to the requirements of the grant:
 - Eligibility Determination
 - Allowability of Services and costs
 - Internal Control Systems for compliance
 - Procurement Policy
 - Other
- Why is monitoring important?
 - Ensure compliance with federal rules and regulations
 - Ensure services are provided in accordance with subaward agreement

Monitoring - What, Why, Who, and When? continued

- What is the role of a monitor?
 - Notification of review
 - Request necessary policies and documents
 - Provide technical assistance as needed
- When do you monitor?
 - As deemed necessary based on annual risk assessment

Question

What current methods of subrecipient monitoring does your agency perform?

- A) Remote Reviews (desk reviews, audit report)
- B) On-site Monitoring
- C) Combination of both
- D) None



Data Analysis

Proposed Revisions:

- Analyze financial and programmatic reports including analyses to identify patterns and trends of program activity and performing such other procedures as necessary to ensure proper accountability and compliance with program requirements and achievement of performance goals of the award.

- Possible Techniques:
 - Trend Analysis
 - Performance Metrics
 - Eligibility Metrics

Risk Assessment

Proposed Revisions:

- Depending upon the pass-through entity's assessment of risk posed by the subrecipient...
- Evaluation of risk posed by subrecipients for purposes of monitoring may include such factors as:
 - The results of previous audits;
 - Whether the entity is a new subrecipient;
 - Whether the entity has new personnel or new or substantially changed systems; and
 - The extent of Federal monitoring if the subrecipient entity also receives direct awards.

Risk Assessment

What is a Risk Assessment?

- Risk assessment is completed at least annually.
- Risk assessments most frequently measure two quantities:
 - Magnitude of the potential loss
 - Probability that the loss will occur
- What is the overall risk assessment for the subrecipient?
 - Determines frequency of monitoring
 - Determines depth (type) of monitoring

Risk Assessment May Include...

- Size of the award
- Subrecipient's level of experience with federal awards
- Complexity of program and award requirements
- Award length (Single or multi-year award)
- Changes in staff or systems
- Audit results (A-133 audits)
- Other monitoring conducted (e.g. federal monitoring of direct awards)
- Prior monitoring visits
- Remediation of prior findings (i.e. level of effort to remediate findings)

Monitoring Procedures

Proposed Revisions:

- Monitor the activities of subrecipients as necessary to ensure that Federal subawards are used for authorized purposes, in compliance with laws, regulations, and the provisions of subawards; and that subaward performance goals are achieved.
- Performing on-site reviews of subrecipients' program operations;

Monitoring Plan

- Clearly identify necessary activities and responsible parties;
- Review debarment lists;
- Allow for consistency throughout monitoring activities;
- Characteristics include:
 - Data quality reviews;
 - Required progress reporting;
 - Site and desk reviews, potentially critical for large-scale projects;
 - Compliance auditing; and
 - Develop corrective action plans.



Monitoring Plan, continued

- Once the process has concluded, develop and implement an internal action plan:
 - Revise policies and procedures;
 - Enforce compliance with the internal requirements; and
 - Execute ongoing monitoring.
- Utilize your internal auditors to conduct regular, detailed reviews; and
- Know where others have faltered.

How Do You Monitor?

- Techniques for conducting monitoring activities
 - Desk reviews
 - Executed at the pass-through entity's site (i.e. not at the sub-recipient's location);
 - May include, at a minimum, financial reviews for allowability prior to invoicing the federal government, reviews of progress reports, and assessments of the sub-recipient's independent audit.
 - On-site field reviews
 - Executed periodically and may follow a risk-based approach for scheduling;
 - Should include sampling contracts, transactions, reviewing supporting documentation, and assessing documented policies and procedures; and
 - Should involve technical experts if the project is of a technical nature (e.g. construction or energy engineering).

Monitoring Covers....

- Eligibility
- Allowability
- Cost Allocation
- Cash Management
- Davis-Bacon
- Equipment and Real Property Management
- Suspension and Debarment
- Program Income
- Reporting
- Internal Management Systems
- Procurement Policy

During-the-Award Monitoring

Factors that may affect the nature, timing, and extent of during-the-award monitoring:

- Program complexity
- Percentage passed through
- Amount of awards
- Subrecipient risk

Monitoring Results

- Upon conclusion of monitoring:
 - Findings will be completed by the reviewer and signed by the director of the agency or designee.
 - A copy will be mailed to the subrecipient identifying any deficiencies.
 - Immediate action should be taken to correct issues involving ineligible uses of federal funds.
 - A corrective action plan should be developed by the subrecipient within 60 days from the issuance of the review findings to address deficiencies or noncompliance issues.

Monitoring Results, continued

- Review corrective action plans based on the pass-through entity's monitoring work or the results of independent audits;
 - Sanction subrecipients as allowed by federal regulations if they are found to be in noncompliance
 - Withhold payments
 - Require that sub-recipient reimburse the pass-through entities
 - Terminate the contract
 - Report noncompliance or sanctioning activities to the federal government for follow-up when required.
-
- Document the execution of monitoring activities and corrective action taken.

Question

Does your entity prepare a Risk Assessment and Monitoring Plan each Year for your monitoring activities?

- A) Risk Assessment Only
- B) Monitoring Plan Only
- C) Both
- D) Neither



Audit Report Review

Proposed Revisions:

- Issuing a management decision for audit findings affecting the pass-through entity's programs.
- Ensure that every subrecipient is audited as required
- Establish audit requirements for for-profit subrecipients, which are not covered by the Single Audit Act
- Consider whether the results of subrecipient audits necessitate adjustments to the pass-through entity's own records.

Monitoring Follow-Up

- Why is follow-up important?
- Identify recurring problems to a program
 - Example: Incorrect eligibility determinations could result in unallowable charges to federal program.
- Identify recurring problems with a subrecipient
 - Example: Subrecipient that fails to correct monitoring findings is at risk of incurring additional unallowable costs or audit findings.

Impact on Audit

- Effect of pass-through awards on the determination of major programs
 - Expenditure is based on when the activity related to the award occurs
 - Federal awards are deemed to be expended by the pass-through entity when the funds are disbursed to subrecipients, regardless of when subrecipients expend the federal funds
- Materiality
 - Matter of professional judgment – influenced by the auditor's perception of the needs of a reasonable person who will rely upon the auditor's work

Impact on Audit

- The auditor will gain understanding of the pass-through entity's subrecipient monitoring procedures
- They will test the pass-through entity's subaward review and approval documents to determine whether, before award, the pass-through entity checked CCR to determine whether subrecipients were registered.
- They will test award documents and agreements to ascertain if:
 - (a) at the time of award the pass-through entity made subrecipients aware of the award
 - (b) the activities approved in the award documents were allowable
- They will review the pass-through entity's documentation of during-the-award monitoring.
- They will review the pass-through entity's follow-up to ensure corrective action on deficiencies noted in during-the-award monitoring.

Impact on Audit

- They will verify that the pass-through entity:
 - a. Ensured that the required subrecipient audits were completed
 - b. Issued management decisions on audit findings within 6 months after receipt of the subrecipient's audit report.
 - c. Ensured that subrecipients took appropriate and timely corrective action on all audit findings.
- They will verify that in cases of continued inability or unwillingness of a subrecipient to have the required audits, the pass-through entity took appropriate action using sanctions.
- They will verify that the effects of subrecipient noncompliance are properly reflected in the pass-through entity's records.
- They will verify that the pass-through entity monitored the activities of subrecipients not subject to OMB Circular A-133, including for-profit entities. They will determine if the pass-through entity has procedures that allow it to identify the total amount provided to subrecipients from each Federal program.

Impact on Audit

When the Subrecipient Monitoring System is NOT Sufficient:

- The auditors will report a significant deficiency or material weakness in internal control over compliance
- They will consider whether the insufficient monitoring system represents an instance of noncompliance that should be reported as a compliance finding (very likely)
- They will consider the effect of the noncompliance on the opinion on compliance for major programs

Impact on Audit

When the Subrecipient Monitoring System is NOT Sufficient (continued):

- They may request by pass-through to perform additional audit procedures
 - Expansion of the scope
 - Would not remedy the internal control over compliance finding
 - May remedy the noncompliance
- Assess the potential impact on the financial statements
 - Financial statement opinion
 - Yellow Book finding

Question

- **Which team will win the 2014 Super Bowl?**
- **A) Chicago Bears**
- **B) Baltimore Ravens**
- **C) Green Bay Packers**
- **D) Other**



Questions



For more information, contact:

Emy Neuman-Javonik, CPA, CFE

Direct (202) 624-5555

Emlyn.neuman-javornik@crowehorwath.com

Source of information:

http://www.whitehouse.gov/omb/grants_docs#proposed

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