

Government of the District of Columbia



Subrecipient Monitoring Manual



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Introduction

General

OMB Circular A-133: Audits of States, Local Governments, and Non-Profit Organizations assigns certain responsibilities to primary recipients of federal awards that, in turn, subgrant funds to other organizations. Such primary recipients are termed pass-through entities. A-133 requires pass-through entities to monitor the activities of subrecipients as necessary to ensure that federal awards are used appropriately and that performance goals are achieved. Pass-through entities must also ensure that subrecipients meet any audit responsibilities.

This document provides information to assist the District of Columbia Agencies in understanding the federal requirements imposed on pass-through entities and to assist in complying with such requirements. In summary, each District Agency will be responsible for:

- ✓ informing their subrecipients about certain information related to the federal awards made and about applicable federal and District requirements,
- ✓ monitoring the subrecipients' activity,
- ✓ ensuring that their subrecipients meet the audit requirements of A-133, and
- ✓ issuing management decisions about relevant subrecipient audit findings.

This manual will provide guidance to assist in meeting these requirements.

Effective Monitoring Procedures

There are a variety of methods primary grantees can use to oversee their subrecipients' compliance and performance. Many of these tools are already part of the grant award and management process, while others are common (but not so obvious) actions that can be taken to effectively monitor subawards. Pass-through entities need to determine which ones will work best for their subrecipients. However, what will work for one particular organization may not be the best tool for each and every subrecipient or subaward.

Pass-through entities can look at many of the federal grants management and audit policies as a starting point for developing and choosing monitoring tools. For example, OMB's Circular A-133 Compliance Supplement suggests that primary grantees can review financial and progress reports submitted by subrecipients or schedule site visits to review records and observe operations (both of which are chargeable to federal awards). Moreover, primary grantees can review subrecipients' single audit reports or arrange for limited-scope audits of certain areas (e.g., eligibility determinations) of subrecipients that are exempt from having single audits.

The Federal Office of Management and Budget (OMB) revised Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations on June 24, 1997. The revision raised the audit threshold of subrecipients expending funds from \$25,000 to \$300,000 (\$500,000 for fiscal years ending after December 31, 2003) causing several subrecipients to be exempt from audit.

Unless otherwise prohibited, the costs of audits made in accordance with Circular A-133 are allowable charges to Federal awards. However, such costs would be unallowable for: a) Any audit not conducted in accordance with Circular A-133, or b) Any audit conducted when the non-Federal entity expended less than \$300,000 in Federal awards and was, therefore, exempted from having such an audit.

OMB Circular A-133 requires pass through entities, i.e., the District to:

- ✓ Make appropriate changes in agreements with subrecipients to reflect that single and program specific audits are no longer required for subrecipients expending less than \$300,000 or \$500,000 for fiscal years ending after December 31, 2003 annually.
- ✓ Review the overall monitoring process, and decide what, if any, additional monitoring procedures are necessary to ensure subrecipient compliance.
- ✓ Consider the cost effectiveness of monitoring procedures compared to the relative size and complexity of the Federal awards administered by subrecipients in determining the appropriateness of monitoring procedures.

OMB Circular A-133 and the Single Audit Act of 1996 require states to monitor subrecipients to ensure that Federal funds are used appropriately.

Any entity meeting the subrecipient criteria will be subject to monitoring including private non-profits, for-profits, public non-profits, state government and local governments. In response to the revision of OMB Circular A-133 and the results of the annual Single Audit of Federal Awards Programs, the District of Columbia (District) is developing an approach to monitoring to ensure the uniform monitoring of subrecipients. The coordinated monitoring approach is aimed at targeting resources to areas of greater risk, obtaining better information from the monitoring process, and reducing audit costs. The OMB Circular A-133 requires the District to ensure that all subrecipients are adequately monitored. The OMB A-133 audits have identified the need for a coordinated system to address District wide monitoring issues. The Office of Integrity and Oversight (OIO) within the Office of the Chief Finance (OCFO) has been designated to coordinate the District's monitoring system.

Purpose and Applicability

The purpose of this document is to serve as a guide in monitoring District and/or Federal funded programs administered by subrecipients. It is intended to identify important requirements that the District, as both a grantor and pass through entity for program funds, should monitor and provide reasonable assurance that subrecipients are in compliance with all applicable requirements.

Pass-through entities can look at many of the federal grants management and audit policies as a starting point for developing and choosing monitoring tools. For example, OMB's Circular A-133 Compliance Supplement suggests that primary grantees can review financial and progress reports submitted by subrecipients or schedule site visits to review records and observe operations (both of which are chargeable to federal awards). Moreover, primary grantees can review subrecipients' single audit reports or arrange for limited-scope audits of certain areas (e.g., eligibility determinations) of subrecipients that are exempt from having single audits.

This manual is structured to provide consistency in the monitoring activities across District Agencies to ensure that core tests are performed by monitoring/compliance groups. The manual provides assistance in the development of a monitoring plan. It also identifies minimal monitoring requirements along with a set of core tests common to most District and/or Federal awards. The core test are consistent with requirements of accepted accounting principles, OMB Circular A-110, Uniform Administrative Requirements for Grant and Agreements with Institutions of Higher Education, Hospitals and Other Non-Profit Organization, OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments, OMB Circular A-122, Cost Principles For Non-Profit Organizations, and OMB Circular A-133 Audits of States, Local Governments, and Non-Profit Organizations. In addition, it addresses the unique requirements that are program specific to a particular funding source.

Monitoring Process

Monitoring is the review process used in determining a subrecipient's compliance with the requirements of a District and/or Federal program, adhering to applicable laws and regulations, and measuring progress toward stated results and outcomes. Monitoring includes an assessment of documentation and data maintained by the subrecipient; information obtained in interviews; and information obtained through observation. Monitoring efforts determine the subrecipient's level of compliance with District and/or Federal expectations and identify operational changes. Monitoring also determines if the financial management and the accounting system are adequate to account for program funds in accordance with District and/or Federal requirements.

One of the most important facets of the grant/subgrant process is to stay informed. Pass-through entities and subrecipients alike can use such communication tools as telephone interviews and e-mail to stay abreast of activities and changes to programs and policies relevant to a particular award. Critical to a good pass-through-subrecipient relationship and solid grant performance is effective communication. Open communication can help ensure that the subaward runs smoothly. Moreover, pass-through entities can stay informed by monitoring local and national media (newspapers, magazines, radio and television) for news about their subrecipients. Frequently, news stories and features will shed light on the successes or problems of a nonprofit or governmental subrecipient.

A summary of methods that can be used for Monitoring Subrecipient Activities are as follows:

- ✓ Review single audits
- ✓ Arrange for limited-scope audits
- ✓ Schedule site visits
- ✓ Review subrecipient reports
- ✓ Require prior approval for certain activities
- ✓ Require third-party evaluations
- ✓ Provide technical assistance and training
- ✓ Make telephone calls and use other means of communication such as e-mail
- ✓ Follow subrecipient coverage in the news
- ✓ Interview or survey staff, board members, end-users, and other stakeholders

Monitoring personnel should have duties that are segregated from program and fiscal management, program development, technical assistance, or any other function related directly to program administration. This separation of duties allows for independence and objectivity of the monitoring staff.

Monitoring Plan

District agencies are required to develop a plan to address their monitoring needs. The plan should identify all subrecipients to be monitored during a period of one, two, or three years. The plan should describe the process and criteria information used to select and prioritize the subrecipients for monitoring purposes. Some subrecipients may be monitored every year because of their high risk level, while others may be monitored once every two or three years.

§ Subrecipient Identification--The monitoring plan should identify subrecipients to be monitored. A subrecipient is an entity that expends District and/or Federal awards received from the District to carry out a District and/or Federal program. A subrecipient is not a vendor because program compliance requirements usually do not pass through to vendors. Therefore, District agencies are **not** required to include vendors in their monitoring plan.

There may be unusual circumstances or exceptions to the characteristics of subrecipients and vendors. In making the determination of whether a subrecipient or vendor relationship exists, the substance of the relationship is more important than the form of the agreement. It is not expected that all of the characteristics will be present. Judgment should be used in determining whether an entity is a subrecipient or vendor. To distinguish a subrecipient from a vendor use the characteristics below.

Subrecipient Characteristics	Vendor Characteristics
Is eligible to receive District and /or Federal financial assistance available through the program administered	Provides the goods and services to many different purchasers
Has its performance measured against whether the objectives of the District and /or Federal program are met	Provides goods and services within normal business operations
Has responsibility for programmatic decision making	Operates in a competitive environment
Has responsibility for adherence to applicable District and/or Federal program compliance requirements	Provides goods or services that are ancillary to the operation of the District and/or Federal program
Uses District and/or Federal funds to carry out a program of the District as compared to providing goods or services for a program of the District	Is not subject to compliance requirements of the District and/or Federal program
Determines eligibility for services	

If the relationship with the District Agency meets the vendor criteria, then the agency must ensure that the procurement, receipt, and payment for goods and services comply with laws, regulations, and the provisions of the grant/contract.

§ Risk-based Selection--After determining the population required to be monitored, the District agency should determine and rank subrecipients from the greatest at risk (high risk) to the least at risk (low risk).

A risk assessment tool should be used to assist in determining which subrecipients to monitor each year. The risk assessment involves evaluating several factors, such as, operating systems, internal controls, board of director's involvement, contract experience with the District and/or Federal government, and operational changes, etc. The risk assessment tool is used to help in determining the priority of subrecipients to be reviewed and the level of monitoring to be performed. Also, the risk assessment should be used in determining how often the subrecipient will be monitored.

The risk assessment targets areas that help identify changes critical to assessing the subrecipient's risk level, such as: financial problems that could lead to diversion of program funds; loss of essential personnel; loss of license or accreditation to operate the program; rapid growth; new activities or services; organizational restructuring; and complaints regarding program and/or fiscal operations.

§ Other Selection Criteria-- Agencies may use other information in assessing the subrecipient's risk level. Historical information, anecdotal information from employees, clients, and participants, and future changes, etc. may be appropriate in determining the subrecipient's need to be monitored.

§ Types and Levels of Monitoring-- Based on the results of the risk assessment, a subrecipient will be assessed as being a low, medium, or high risk. These risk levels will determine which monitoring standards and procedures the monitors should use.

The high risk monitoring level will include more intense testing of financial and program data and reporting. The basic objectives of high risk monitoring are:

- ✓ To test the reliability of internal controls.
- ✓ To verify that program objectives are being met.
- ✓ To test the reliability of the subrecipient's financial and programmatic reports.
- ✓ To test if costs and services are allowable and eligible.

The subrecipient classified as medium risk will be monitored for compliance issues focusing on allowable costs and program eligibility. The basic objectives of medium risk monitoring are:

- ✓ To verify that program objectives are being met.
- ✓ To test the reliability of the subrecipient's financial and programmatic reports.
- ✓ To test if costs and services are allowable and eligible.

The subrecipient classified as low risk will be monitored for operational changes. Low risk monitoring can be conducted by the District agency, through completing a desk review, conducting a telephone interview, or analyzing the results of an assurance questionnaire. Low risk entities are subrecipients that expend less than \$25,000 annually and other subrecipients

assessed as being a low risk. The objective of the low risk monitoring is to identify major operational changes. Based on the desk review, the telephone interview, or the results of the assurance questionnaire, a determination will be made as to whether or not to revise the initial risk assessment and if additional monitoring is needed.

§ Monitoring Guides-- A sample guide for each funding source should be incorporated into the monitoring plan. The guide should include all the components of monitoring for the particular program and level of monitoring. The guide will serve as a summary of the monitor's work. It is important that the monitor responds to each question or statement on the guide. If an area is not applicable, then it should be noted on the guide as N/A along with an explanation as to why. District agencies should develop monitoring guides that reflect the required monitoring core components and their program and fiscal needs.

Monitoring Schedule

The monitoring schedule and the one to three year listing of subrecipients to be monitored are different documents. The scheduling of monitoring can be done on a monthly, quarterly, or annual basis. Prior to making the monitoring schedule, the one to three year subrecipient identification process should be completed. Any adjustments to either document should be noted. Adjustments that could affect the monitoring schedule may include a request for a special investigation, the need to do an unscheduled follow-up visit, or an unexpected schedule conflict, etc. Adjustments that could affect the one to three year plan, may include but are not limited to, significant findings on a subrecipient scheduled for monitoring every three years, major operational changes identified, and/or serious audit findings. In making the monitoring schedule, monitors should make every attempt to coordinate site visits with other District agencies.

Contact Agency

The monitor should contact the subrecipient's director or other designated person to determine if the planned monitoring dates are convenient for the site visit, desk review, or telephone interview. The subrecipient's director should be told what to expect during the monitoring review process, who will be completing the review, the anticipated time needed to complete the review, and the kinds of information and documentation that should be available during the review. The above information should be confirmed in writing.

Perform Preliminary Procedures

Preliminary procedures include all the necessary preparation for monitoring a subrecipient. Preparation would include reviewing pertinent documents like grant/contract agreements, audit reports, past monitoring reports, corrective action reports, regulations, and correspondence; interviewing appropriate individuals, such as, program, school, fiscal, District, and Federal officials, neighbors, community service providers; communicating with the subrecipient's director or designated person; developing or assembling work documents to be used in collecting and documenting information; and doing any other activity that prepares the staff for the monitoring of the subrecipient.

Conduct Monitoring Review

The monitoring review is the actual collection of data and information at the low, medium, or high risk monitoring level. There are core tests that should be performed or addressed while conducting the monitoring review. The core tests listed below describe the minimal monitoring requirements. If any of the core tests are not applicable, then document the reasons why in the work papers. The core tests should be performed in addition to tests that are program specific and outlined in the OMB A-133 Compliance Circular. District agencies with staff certified to conduct limited scope (Yellow Book) audits may do so when appropriate for high risk subrecipients. The guidelines and procedures for a limited scope audit are to be followed as defined in OMB Circular A-133 Compliance Supplement. The monitoring requirements for low, medium, and high risk levels are described next.

High Risk Testing

§ High Risk--Activities Allowed and Unallowed--The primary compliance test to be performed on each program reviewed is whether the activities of the program are allowable under particular program regulations, laws, and provisions of the contract/grant agreement.

The monitor should:

- ✓ Review grants, contracts, and all applicable program guidelines to identify the activities that are allowable.
- ✓ Determine whether activities are consistent with the program objectives and are allowable.
- ✓ Review all contractual relationships that a subrecipient has with any other entity, employee, and/or board member.
- ✓ Review the documentation which supports the activities under any subcontract and determine if program compliance requirements are being met, if program activities meet program objectives, and if activities are allowable.

§ High Risk--Allowable Cost and Cost Principles--Allowable costs applicable to subrecipients of program funds are described in detail in the cost principles of OMB Circular A-122 and OMB Circular A-87 (See Attachments K & L). These circulars describe allowable and unallowable cost and standard methods for calculating indirect cost rates. Whenever the District agency's requirements are more stringent than the Federal requirements of an applicable circular, then the monitor should apply the District agency's requirements.

The monitor should:

- ✓ Determine if costs charged to the program are allowable, reasonable and necessary for the performance and administration of the program.
- ✓ Determine if costs are allocable to programs under provisions of applicable District requirements and/or applicable OMB circulars; and that costs allocated to the program are consistent with the benefit received from the program.
- ✓ Determine if costs are applied consistently and conform to generally accepted accounting principles.

- ✓ Determine if costs conform to the limitations of and the exclusions set forth in OMB Circulars A-122 and A-87 or the applicable District guidelines.
- ✓ Determine that costs charged to any program are net of applicable credits, such as discounts, rebates or allowances, recoveries, insurance refunds or adjustments for overpayments.
- ✓ Determine if costs are supported by adequate documentation, such as vendor invoices, canceled checks, time and attendance records, approved purchase orders, receiving reports, and etc.
- ✓ Determine if reported charges represent actual costs, not budgeted or projected amounts.

§ High Risk--Eligibility--Each program has specific and unique requirements for eligibility. These are usually dictated by the laws, regulations, and the provisions of the contract/grant agreements pertaining to the program.

The monitor should:

- ✓ Determine if the participants were eligible under applicable eligibility guidelines.
- ✓ Determine if the program participants continued to be eligible after the initial eligibility assessment, and that program participants' benefits were discontinued when the period of eligibility expired.
- ✓ Determine if program benefit amounts provided to or on behalf of eligible participants were calculated in accordance with program requirements.
- ✓ Determine if the program participant population and area served were eligible for benefits.

§ High Risk--Matching Funds, Level of Effort Period of Availability, and Earmarking--Some funding sources have a match requirement, a level of effort requirement and/or an earmarking requirement. Matching requirements refer to contributions specified as an amount or percentage of expenditures that must be borne by the subrecipient. Level of effort refers to a specified level of service to be provided during a defined period; or a specified level of expenditures from other sources for specific activities; or the use of other District and/or Federal funds to supplement, but not supplant, non-District and/or non-Federal funding of services. Earmarking refers to requirements that define the minimum or maximum amount or percentage of the program's funding that must be used for specified activities provided by the subrecipient.

The monitor should:

- ✓ Determine if required match contributions, level of effort, or earmarking requirements were met.
- ✓ Determine if matching contributions are from allowable sources.
- ✓ Determine if values placed on in-kind services are corroborated.
- ✓ Determine if District and/or Federal funds were used to supplant District and/or Federal funds.

§ High Risk--Program Income--Program income refers to gross income received by the subrecipient and acquired with program funds. The income is directly generated by the District and/or federally funded programs during the duration of the contract/grant. Examples of program income are fees collected for services, income from the rental of real property, and income from the rental of personal property.

The monitor should:

- ✓ Determine if program income was received, identified and recorded properly.
- ✓ Determine if program income was used in accordance with all applicable requirements.

§ High Risk--Cash Management--Cash Management refers to the internal control procedures that minimize the time elapsing between the transfer of funds to subrecipients and the related disbursement. This is applicable to only those grants/contracts that allow advance payments and even payments. It is important to ensure that subrecipients do not have excess funds on hand beyond their immediate needs.

When funds are advanced, District agencies and subrecipients must have procedures to minimize the time elapsing between the transfer of funds to the subrecipient and disbursement. When advance payment procedures are used, the District must review and concur with the subrecipient's established procedures.

The monitor should:

- ✓ Determine if cash advances or drawdowns are only for amounts necessary for immediate cash needs.
- ✓ Determine if excess cash for the immediate needs of the program does not accumulate beyond the immediate needs of the program.

§ High Risk--Davis-Bacon Act--The Davis Bacon Act requires that laborers and mechanics paid under a Federal construction contract of \$2,000 or more be paid wages not less than the prevailing wage rates for the locality.

If applicable, the monitor should:

- ✓ Determine if the subrecipient has entered into a Federal construction contract in the amount of \$2,000 or more.
- ✓ Determine if the subrecipient paid the required Department of Labor prevailing rates to laborers and mechanics employed under any Federal construction contract.

§ High Risk--Equipment and Real Property--Equipment refers to tangible non-expendable property having a useful life of more than one year and an acquisition cost of \$500 or more per unit. Equipment purchased with Federal funds must be used in the program that acquired it or, when appropriate, in other Federal programs.

The monitor should:

- ✓ Determine if program funds were used to purchase any equipment.
- ✓ Determine if the subrecipient's policies and procedures for equipment are adequate and consistent with the District and/or Federal requirements.
- ✓ Determine if equipment transactions are in compliance with applicable policies and procedures.
- ✓ Determine if equipment records include the following minimal information: description of the equipment, serial number, tag number, source of funding, who holds title to the equipment, acquisition date, acquisition cost, percentage of District

- and/or Federal participation in cost, location, condition, disposal date (if applicable), and sale price (if applicable).
- ✓ Determine if the District agency was reimbursed for the appropriate share.

§ High Risk--Procurement and Suspension--Subrecipients are required to comply with applicable procurement requirements of OMB Circular A110 and specific District laws and requirements.

The monitor should:

- ✓ Review the subrecipient's procurement policies to determine that they are consistent with District and/or Federal guidelines.
- ✓ Determine if the procurement files document the rationale for the method of procurement, contractor selection or rejection, and the basis of contract price.
- ✓ Determine if the procurements were open to competition,
- ✓ Determine if the competition was limited to a specific geographic area, if applicable.
- ✓ Determine if the cost or price paid was consistent to the terms and provisions of the procurement contracts.

§ High Risk--Specific Program Review Guides--In many cases, a program specific supplement will be available to provide specific guidance to the monitor with respect to internal controls, compliance requirements, and suggested procedures. A copy of OMB A-133 Compliance Supplement is in Attachment I. When a program supplement is not available, the monitor should use at a minimum the core tests of the appropriate monitoring level.

Special Grant Conditions for High-Risk Subgrantees

Both the grants management common rule and Circular A-110 discuss special treatment for subgrantees that have had one or more of the following problems and are considered "high-risk":

- ✓ a history of unsatisfactory performance;
- ✓ financial instability;
- ✓ an inadequate management system that does not meet the standards mandated in OMB's grants; or
- ✓ failure to comply with the terms and conditions of previous subawards.

A pass-through entity that subawards funds to a high-risk subgrantee can incorporate any of the following special conditions or restrictions into the agreement:

- ✓ requiring that subrecipients be paid on a reimbursement basis;
- ✓ withholding the authority to proceed to the next phase of the project until the pass-through entity receives evidence of acceptable performance;
- ✓ requiring additional or more detailed financial reports;
- ✓ requiring the subgrantee to obtain technical or management assistance; or
- ✓ establishing additional prior approvals.

If a pass-through entity decides to impose additional restrictions on a high-risk subgrantee, it should notify the subgrantee of the following:

- ✓ the nature of the additional restrictions;
- ✓ the reasons for imposing them;

- ✓ the corrective action that the subgrantee must take before the pass-through entity will remove the restrictions; and
- ✓ the method by which the subrecipient can request reconsideration of the restrictions.

Pass-through entities may want to cite the applicable grant administration circular as authority for imposing additional restrictions.

Medium Risk Testing

§ *Medium Risk--Activities Allowed and Unallowed*--The primary compliance test to be performed on each program reviewed is whether the activities of the program are allowable under particular program regulations, laws, and provisions of the contract/grant agreement.

The monitor should:

- ✓ Review grants, contracts, and all applicable program guidelines to identify the activities that are allowable.
- ✓ Determine whether activities are consistent with the program objectives and are allowable.
- ✓ Review all contractual relationships that a subrecipient has with any other entity, employee, and/or board member.
- ✓ Review the documentation which supports the activities under any subcontract and determine if program compliance requirements are being met, if program activities meet program objectives, and if activities are allowable.

§ *Medium Risk--Allowable Cost and Cost Principles*--Allowable costs applicable to subrecipients of program funds are described in detail in the cost principles of OMB Circular A-122 and OMB Circular A-87 (See Attachments K & L). These circulars describe allowable and unallowable cost and standard methods for calculating indirect cost rates. Whenever a District agency's requirements are more stringent than the Federal requirements of an applicable circular, then the monitor should apply the District agency's requirements.

The monitor should:

- ✓ Determine if costs charged to the program are allowable, reasonable and necessary for the performance and administration of the program.
- ✓ Determine if costs are allocable to programs under provisions of applicable District requirements and/or applicable OMB circulars; and that costs allocated to the program are consistent with the benefit received from the program.
- ✓ Determine if costs are applied consistently and conform to generally accepted accounting principles.
- ✓ Determine if costs conform to the limitations of and the exclusions set forth in OMB Circulars A-122 and A-87 or the applicable District guidelines.
- ✓ Determine if costs charged to any program are net of applicable credits, such as discounts, rebates or allowances, recoveries, insurance refunds or adjustments for overpayments.

- ✓ Determine if costs are supported by adequate documentation, such as vendor invoices, canceled checks, time and attendance records, approved purchase orders, receiving reports, and etc.
- ✓ Determine if reported charges represent actual costs, not budgeted or projected amounts.

§ Medium Risk--Eligibility--Each program has specific and unique requirements for eligibility. These are usually dictated by the laws, regulations, and the provisions of the contract/grant agreements pertaining to the program.

The monitor should:

- ✓ Determine if the participants were eligible under applicable eligibility guidelines.
- ✓ Determine if the program participants continued to be eligible after the initial eligibility assessment, or that program participants' benefits were discontinued when the period of eligibility expired.
- ✓ Determine if program benefit amounts provided to or on behalf of eligible participants were calculated in accordance with program requirements.
- ✓ Determine if the program participant population and area served were eligible for benefits.

§ Medium Risk--Matching Funds, Level of Effort Period of Availability, and Earmarking--Some funding sources have a match requirement, a level of effort requirement and/or an earmarking requirement. Matching requirements refer to contributions specified as an amount or percentage of expenditures that must be borne by the subrecipient. Level of effort refers to a specified level of service to be provided during a defined period; or a specified level of expenditures from other sources for specific activities; or the use of other District and/or Federal funds to supplement, but not supplant, non-District and/or non-Federal funding of services. Earmarking refers to requirements that define the minimum or maximum amount or percentage of the program's funding that must be used for specified activities provided by the subrecipient.

The monitor should:

- ✓ Determine if required match contributions or required level of effort was met.
- ✓ Determine if matching contributions are from allowable sources.
- ✓ Determine if values placed on in-kind services are corroborated.
- ✓ Determine if District and/or Federal funds were used to supplant District and/or Federal funds.

§ Medium Risk--Program Income--Program income refers to gross income received by the subrecipient and acquired with program funds. The income is directly generated by the District and/or federally funded programs during the duration of the contract/grant. Examples of program income are fees collected for services, income from the rental of real property, and income from the rental of personal property.

The monitor should:

- ✓ Determine if program income was received, identified and recorded properly.
- ✓ Determine if program income was used in accordance with all applicable requirements.

Low Risk Testing

§ Low Risk--Desk Review--The desk review entails evaluating the subrecipients' financial and program reports for consistency and reliability.

The monitor should:

- ✓ Request pertinent program and financial information, such as, monthly or quarterly expenditure reports, program progress reports and minutes of board meetings. These reports can be compared with prior year reports, grant/contract proposals, and goals and objectives.
- ✓ Review the program and financial information for reliability and consistency.
- ✓ Review the program and financial information for reasonableness of costs vs. services rendered.
- ✓ Follow up the desk review with a telephone conversation to resolve or clarify any questions that arise.
- ✓ Follow up the desk review with a telephone conversation to ask if items reported are traceable to the accounting records and/or other supporting documentation.
- ✓ Determine if a follow-up review is necessary.

§ Low Risk--Telephone Interview--The telephone interview is used to assess the subrecipient's internal controls and board of directors' involvement.

The monitor should:

- ✓ Set up an appointment for the telephone interview and explain the purpose and how much time will be necessary to conduct the interview.
- ✓ Conduct the telephone interview with at least the subrecipient director, the subrecipient fiscal officer, the program director, and/or the board chair. Document results of the telephone interview.
- ✓ Determine if a follow-up review is necessary

§ Low Risk--Assurance Questionnaire--The objective of the assurance questionnaire is to request the agency to make certain assertions regarding various aspects of its operations.

The monitor should:

- ✓ Send out the assurance questionnaire.
- ✓ Review the results of the questionnaire.
- ✓ Determine if a follow-up review is necessary.

NOTE: If a monitor discovers or is suspicious of fraud, abuse, or any other criminal activity, such as child abuse, the monitoring review should be terminated immediately and the appropriate authorities notified.

Monitoring Reports/Letters

Reporting is the method used by the monitoring staff to communicate findings and concerns of the programs reviewed. The reports should be addressed to the official signing the contract.

Copies should be distributed to the director and appropriate program and fiscal staff of the subrecipient agency, or the appropriate official, and others deemed appropriate.

The monitoring report should:

- ✓ Identify subrecipient information and the programs monitored.
- ✓ Identify dates of the monitoring review.
- ✓ Identify who conducted the monitoring review.
- ✓ Describe the monitoring activities and test procedures used to collect information.
- ✓ Identify findings and references to applicable District and/or Federal requirements.
- ✓ Identify corrective action recommendations, when the corrective action plan is due, and where to send the corrective action plan.
- ✓ Describe program activities and eligible client population.
- ✓ Note monitoring staff's observations in areas, such as, program strengths, weaknesses, and concerns, etc.

Corrective Action Plan

The subrecipient is responsible for submitting a corrective action plan that addresses each monitoring finding and for submitting supporting documentation. The subrecipient's plan should be submitted within the timeframe identified in the monitoring report. If corrective action cannot be completed within the requested timeframe, the subrecipient should request an extension of time in writing. If the subrecipient does not agree with any of the monitoring findings or does not believe that corrective action is required, an explanation should be included.

Follow-up

A follow-up to the monitoring review may vary depending on the extent and severity of the findings, and how the corrective action process is managed. A follow-up may include communication with the subrecipient after the review of the corrective action, additional monitoring visits, and/or an unannounced visit.

Coordinated Monitoring Approach

The Office of Integrity and Oversight (OIO) will be the coordinating point for the District-wide monitoring system. This division is within the Office of the Chief Financial Officer (OCFO). OIO has the mission for oversight of the OMB-A-133 Single Audit and the Internal Audit and Security function within the OCFO. As the coordinating point, the OIO will:

- ✓ Develop a statewide monitoring policy, guide and plan.
- ✓ Coordinate efforts among the Office of the Chief Financial Officer, the Office of the City Administrator and all other District agencies. This coordination is necessary to ensure adequate coverage without duplication and to help reduce the burden on subrecipients.

- ✓ Develop a subrecipient database. This database will make available pertinent information about each subrecipient including name, address, source of funds, monitoring findings, audit findings, corrective action status, licensure status, status of charter, etc.
- ✓ Review monitoring plans submitted by District agencies.
- ✓ Provide technical assistance around monitoring issues.
- ✓ Provide training related to fiscal and program monitoring.
- ✓ Act as the resource center on the District's subrecipient monitoring practices and procedures.

ATTACHMENT A- CHECKLISTS FOR INTERNAL CONTROL

The following checklists are provided as a suggested guide for grantee officials in assessing the adequacy of the organization's business management capabilities. The checklists are not all inclusive, but can serve as a resource for ongoing evaluation, as necessary. The types of problems continually cited in audit reports clearly indicate that greater attention must be given to the business management competence of recipient organizations. Proper internal control procedures will provide greater assurance that grant awards will be adequately managed and should reduce the deficiencies found in audits of the organization.

A - Personnel Management

- Is an up-to-date organizational chart in use?
- Does the position classification system:
 1. Differentiate between levels of responsibility and complexity of work?
 2. Require position descriptions and job titles?
 3. Identify position requirements?
 4. Call for periodically reviewing and updating position descriptions?
 5. Divide duties among employees responsible for procurement, approval, verification (pre-audit) and disbursement functions of expenditure transactions?
- Does the recruitment and selection system:
 1. Provide for the announcement of vacancies to staff as well as other known sources of manpower?
 2. Establish controls to ensure consistency with the budget plan?
 3. Enable a comparison of job candidates with the budget plan?
 4. Establish procedures for applicant interviews, reference checks and final selection by an appropriate official?
 5. Evaluate the effectiveness of compliance with Title VI of the Civil Rights Act of 1964, as amended?
- Is the compensation determination based on an analysis of:
 1. Job requirements?
 2. Comparability with similar work in the local market?
 3. Periodic review of pay scales?
 4. Fringe benefits comparable to other similar organizations?

- Does the performance rating system:
 1. Establish performance standards?
 2. Require periodic rating?
 3. Form the basis for consideration of future pay adjustments?

- Is the merit promotion plan based on increased responsibility and employee qualifications:
 1. Require analysis of manpower needs and staff use?
 2. Provide job training or retraining where applicable?
 3. Provide career counseling?
 4. Provide supervisory training?

- Is there a clear, consistent written policy with respect to:
 1. Working hours?
 2. Work schedules?
 3. Overtime?
 4. Vacation schedules and other absences?
 5. Maintenance of attendance records for all employees, with proper supervisory controls?
 6. Travel (including transportation, subsistence and lodging)?
 7. Training?
 8. Outside employment?
 9. Permitted and prohibited political activity, if covered by the Hatch Act?

- Does the personnel relations program include:
 1. Open channels of communication for distribution of information, expression of grievances, and the encouragement of ideas for organizational improvement?
 2. Written standards for employee conduct and conflict of interest?
 3. A fair and equitable disciplinary system to handle conduct violations?
 4. The provision of medical services to all employees, as appropriate?

- Does the file and records system include all official documents related to the employment of each staff member and other person participating in grant supported activities? (Such records should be maintained in an orderly and accessible file system which is capable of providing necessary information to supervisors, accountants, and auditors, as well as employees. Among

the documents which would be included in these are actions related to hiring, dismissal, promotions, commendations and adverse actions.)

B – Payroll

- Is the payroll checked at regular intervals against the personnel records?
- Are clerical operations involved in the preparation of payroll checks double-checked before checks are distributed?
- Are the functions involved the preparation of payroll distributed among a number of employees? Are the duties of those preparing payrolls rotated?
- Are the unclaimed paychecks properly controlled?
- If a separate payroll bank account is maintained, is it reconciled by an employee independent of all other payroll preparation functions?
- Does the procedure followed in reconciling the payroll bank account include the checking of all names on payroll checks and of endorsements against payroll records?
- Are payroll checks distributed by someone other than persons who prepare payrolls, supervise employees, approve time reports, or sign paychecks?
- Is the bank instructed not to clear payroll checks over 30 days after date issued?
- Is occasional surprise distribution of paychecks made by an independent employee having no financial duties?
- Are payroll checks always prepared after receipt of approved time-and-attendance reports and based on those reports?
- Is the issuance of any payroll checks before approved time-and-attendance reports have been received expressly forbidden?
- Are controls over employee termination adequate to prevent the continuance of pay for an employee no longer working?
- Where over 50 employees are on the payroll, are other methods or precautions applied to preclude the possibility of fictitious or nonworking employees being added to the payroll?
- Is an adequate current record maintained of all personnel and pay rates?

C – Accounting

- Is the accounting routine set out in an accounting manual?
- For small recipients, is the financial system designed, at the minimum, so that no one person has access to all financial operations, procedures, and records?
- Are sources and application of Federal and non-Federal funds identified in the accounting system:

1. Authorizations?
2. Funds received (including program income)?
3. Disbursements?
4. Obligations?
5. Unobligated balances?
6. Assets (including depreciation or use allowances)?
7. If applicable, grant-related income?

- Does the accounting system accumulate and record the direct costs of each funding project for both grant and non-grant costs?
- Are individual cost elements in recipients chart-of-accounts reconciled to the cost categories in the approved budget?
- Does the accounting system identify and segregate unallowable costs?
- Are accounting records supported by source documentation?
- Are separate program activities or program accounts documented in the accounting system?
- Are transactions recorded and posted in the accounting books and records as frequently as possible, but at least every thirty days?
- Is the accounting function completely separated from procurement (purchasing) and receiving?
- Are general journal entries approved by a responsible employee?

D – Budget

- Are there procedures to determine the allowability, allocability, and reasonableness of costs? Are the procedures verified and/or approved by a responsible official?
- Was prior approval obtained on transfers of funds/contract costs?
- Were any obligations for the current budget period incurred prior to the effective date?
- Are budgeted costs compared with actual costs?
- Is action taken when the comparisons disclose problems?
- Are budgetary controls in place to preclude incurring obligations in excess of total funds available for (1) grant and (2) object class category?

E- Cash Management

- Is there more than three day lapse between the receipt of grant funds and expenditures (when “advances” are awarded)?

- Are separate or special purpose bank accounts controlled? (Special accounts may be used as needed but should be under same control as the regular accounts.)
- Are all cash receipts immediately recorded upon the books?
- Are cash receipts books properly controlled and safeguarded?
- Are validated duplicate deposit slips obtained for each deposit?
- For small recipients, are certain functions such as receipt of bank statements, preparation of bank reconciliations, etc., carried out by independent bookkeepers or others for internal control purposes?
- Are bank statements received directly, unopened by the person who prepares the bank reconciliation?
- Are bank statements reconciled at least monthly?
- Are paid checks examined for date, name, cancellations, and endorsements at the time the reconciliation is prepared?
- Do supporting data accompany checks when they are submitted for signature?
- Are supporting documents canceled to prevent subsequent use?
- Are vouchers or supporting documents identified by grant number, date, and expense classifications?
- Are invoices or vouchers approved in advance by responsible department heads?
- Is the sequence of check numbers accounted for when bank account is reconciled?
- Is the bank instructed not to pay checks over 30 days after date shown on check?
- Are voided checks properly mutilated and retained for subsequent examination?
- Are blank checks properly controlled?
- Is the practice of drawing checks payable to “cash”, “petty cash”, “bearer” etc. prohibited?
- Are authorized signatures limited to persons who have no access to accounting records or to petty cash?
- If a mechanical or facsimile signature is used for disbursements, is the signature plate, die, key, etc, under adequate control?
- Is the issuance of checks on only verbal authority prohibited?
- Is the signing of checks in advance prohibited?
- Are employees prohibited from having custody of any unrecorded cash or negotiable documents (other than their own personal money) while on the premises of the grantee?
- Is responsibility for any petty cash fund vested in only one person?
- Are signed vouchers obtained written in ink for all petty cash disbursements?
- Is the maximum amount of any individual disbursement limited to \$50.00 or to another reasonable amount?
- Are the amounts of petty cash funds limited so that reimbursements are required at relatively short intervals (not over 2 weeks)?

- Are petty cash vouchers canceled or marked so as to preclude their reuse?
- Is petty cash kept locked at all times when not in use?
- Are employee loans prohibited?
- Are employee travel advances or other types of business advances accounted for promptly?

F - Procurement (Purchasing)

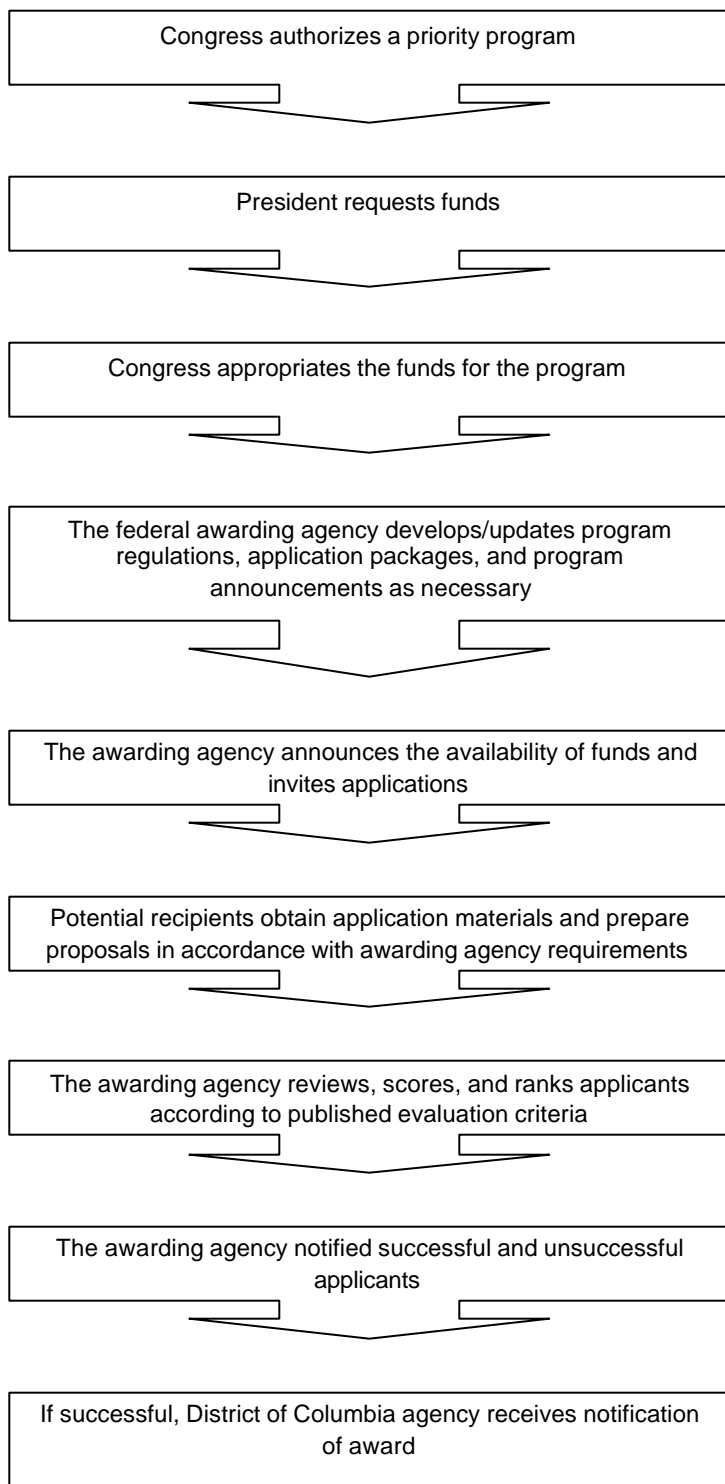
- Are the organization's purchasing practices and policies in writing in a purchasing manual?
- Is a separate purchasing department maintained?
- If not, is the responsibility for procurement assigned to one individual?
- Is the pre-numbered sequence of used purchase orders accounted for?
- Does a copy of the receiving report go directly to the accounting office when goods are received?
- Are invoices checked in the accounting office against purchase orders and receiving reports?
- Is there definite evidence of responsibility for verifying invoices as to prices, extensions, additions, freight charges, discounts, etc.?
- Is account coding double-checked prior to disbursement?
- Are vouchers examined by a responsible individual to ascertain completeness of attachments and various required approvals?
- Are vendors' invoices delivered directly to the accounting office?
- Are purchases for employees expressly prohibited?
- Are purchase invoices routed through a voucher register and not directly through cash disbursements?
- If a voucher register is maintained, is it balanced monthly with the general ledger control account?
- Is a postage meter used for outgoing mail?
- Are controls established over use of any duplicating and photocopying equipment, and are quantities of material used or copies made accounted for?
- Are voided purchase orders outstanding periodically reviewed and outstanding old orders accounted for?
- When competitive quotations are required in accordance with procurement policy, are they properly obtained?
- Are expenditure transaction files maintained in such a manner that documents supporting any transaction can be easily located?
- Is a master list maintained of all persons authorized to sign or approve purchase requisitions, purchase orders, receiving reports, invoices (approval for payment, time and attendance records, etc.) and are signature samples available for comparison?

- Are goods and services received prior to payment?
- Are small and/or minority businesses used as sources of supplies and services?
- Have sole source procurements been approved by the District in writing?
- Have price or cost analyses been performed on all procurements?
- Has a lease versus purchase analysis been made before procuring equipment?
- Prior to the purchase of equipment with grant funds, does an authorized grantee official certify that no similar equipment is on hand?
- Are the required conditions or provisions contained in contracts awarded by the grantee organization?

G - Property Management

- Are the organization's property policies in writing in a property manual?
- Are the proper classifications made between equipment and supplies and reconciled to the grantee's budget?
- If equipment is "on loan" or "shared" with other organizations, are costs allocated proportionally?
- Is a complete physical inventory of property taken at least annually?
- Are the results reconciled with the property records?
- Where inventories are of great significance or where a central warehousing system is used, are perpetual inventory records maintained?
- Is property adequately tagged or otherwise identified?
- Is the property ledger maintained so that any item of property can be located and identified?
- Is the property ledger balanced monthly against the appropriate general ledger accounts?
- Are retirements and disposals property approved and recorded?
- Are the proceeds of any liquidated property properly recorded?
- Is damaged or lost property properly treated on the accounting records?
- Are insurance recoveries properly recorded?
- If inventories or consumable supplies exceed \$1,000 in value, have adequate controls been established?
- Is equipment properly safeguarded?
- Is only depreciation or use allowances charged for grantee-owned building or building donated as a third-party in-kind contribution?

ATTACHMENT B- The Federal Grant System Flow



**ATTACHMENT C-
GRANTS MANAGEMENT ROLES AND RESPONSIBILITIES**

<i>Entities</i>	<i>Roles and Responsibilities</i>	<i>Contact Information</i>
Agencies	<ul style="list-style-type: none"> • Apply for all Federal and private grants that comport with District programmatic priorities and financial capacity • Implement grant programs in compliance with applicable rules, regulations, statutes, and grant terms and conditions • Monitor and evaluate grant programs, including subgrants and contracts • Provide reports on all grant activities • Maintain records as required 	See individual agencies
Chief Financial Officer	<ul style="list-style-type: none"> • Uphold ultimate responsibility for grants management • Monitor all financial aspects of grant implementation • Delegate grants management responsibilities to appropriate central service agencies and program agency chief financial officers 	1350 Pennsylvania Ave., NW, Suite 203 Washington, DC 20004 (202) 727-2476 (Phone) (202) 727-1643 (Fax) www.cfo.dc.gov
Chief Procurement Officer	<ul style="list-style-type: none"> • Approve all contracts, whether paid for with appropriated dollars, indirect cost recoveries, or grant funds • Certify subgrants 	441 4 th Street, NW, Suite 800-S Washington, DC 20001 (202) 727-0252 (Phone) (202) 727-9385 (Fax) www.ocp.dc.gov
Council of the District of Columbia	<ul style="list-style-type: none"> • Provide oversight to District agencies, including their grant-funded activities • Approve new grant awards and grant variances 	1350 Pennsylvania Ave., NW Washington, DC 20004 (202) 724-8000 (Phone) (202) 724-3070 (Fax)
Office of Budget and Planning	<ul style="list-style-type: none"> • Monitor the financial status of grants • Provide monthly reports on District-wide grant expenditures versus grant budgets and grant expenditures versus grant collections • Submit requests to the D.C. Council for new grant authority after receiving the grant award profiles (GAP) and accompanying documentation from the Office of Research and analysis • Submit requests for grant variances to the D.C. Council • Provide override of budget authority for all new grants and grant variances after they have been approved by the D.C. Council • Develop the cost allocation plan for the District and negotiate with the cognizant Federal agency • Assists agencies in obtaining approval for budget authority for new grant awards and grant variances • Monitors grant spending and issues potential lapsed fund report • On a fee-for-service basis, provide assistance and training in all aspects of the grants management process, including grant applications, implementation, monitoring, subgranting, evaluating and auditing, among other 	1350 Pennsylvania Ave., NW, Suite 229 Washington, DC 20004 (202) 727-6343 (Phone) (202) 727-1400 (Fax) www.cfo.dc.gov

<i>Entities</i>	<i>Roles and Responsibilities</i>	<i>Contact Information</i>
Office of Finance and Treasury	<ul style="list-style-type: none"> • Negotiate the annual Cash Management Improvement Act (CMIA) agreement with the U.S. Treasury • Create and enforce District drawdown policies • Monitor agency compliance with CMIA and District drawdown policies • Monitor grant expenditures versus grant collections 	441 4 th Street NW, Suite 360-N Washington, DC 20001 (202) 727-6055 (Phone) (202) 727-6049 (Fax)
Office of Partnership Grants Development	<ul style="list-style-type: none"> • Maintain a database of District grant applications, grant funds received, and profiles of all grant awards • Coordinate multi-agency and public-private collaborations to seek funding • Certify subgrants • Assist District nonprofits in identifying funding opportunities 	441 4 th Street NW, Suite 200-S Washington, DC 20001 (202) 727-8900 (Phone) (202) 727-1652 (Fax) www.opgd.dc.gov
Office of the Mayor	<ul style="list-style-type: none"> • Sign off on certain grant applications 	1350 Pennsylvania Ave., NW, 6 th Floor Washington, DC 20004 (202) 727-2980 (Phone) (202) 727-0505 (Fax)
Subgrantees	<ul style="list-style-type: none"> • Follow all the terms and conditions of subgrant agreements, including implementing, evaluating and reporting requirements 	See individual Subgrantees

ATTACHMENT D- REQUEST FOR GRANT ADVANCE OR REIMBURSEMENT

INSTRUCTIONS

Please type or print legibly. Items 7, 8, 9.a through 10.a are self-explanatory. Specific instructions for other items are as follows:

<u>ITEM</u>	<u>ENTRY</u>
-------------	--------------

- | | |
|-------|---|
| 1 | Enter "X" in each box as appropriate |
| 2 | Indicate whether request is prepared as cash or accrued expenditure basis. All requests for advances must be prepared on a cash basis. |
| 3 | Enter the sequential number for the request for payment, beginning with "1" for the first request, "2" for the second request, and so on. |
| 4 | Enter the Agency-assigned number used to identify the grant. |
| 5 | Enter the number provided to the grantee organization by Dunn and Bradstreet. |
| 6 | Enter the month, day, and year for the beginning and ending dates of the period covered by the request. If the request is for an advance or both an advance and reimbursement, show the period that the advance will cover. If the request is for reimbursement, show the period for which the reimbursement is requested. Also see "NOTE" at item 10.b |
| 9.i | Enter in "as of date", the month, day, and year of the ending of the accounting period to which the YTD (year to date) amounts in column 2 apply. |
| 9 (1) | Total Agency Budget Column. Enter the amounts on line a through i from the approved budget. Enter only the DOH grant portion of the budget if other funds are used in the project. |
| 9 (2) | YTD (Year to Date) Expenditures column. Enter the actual expenditures year to date (YTD) from the beginning date of the grant on line a through i. These amounts should equal all costs incurred through the date entered at item 9.1. |
| 9 (3) | FOR REIMBURSEMENT REQUESTS ONLY. Enter actual expenditures on lines a through i for the period covered by this request for reimbursement. If an advance is being requested, type "N/A" |
| 10.b | Enter in column (4) the total estimated amount of cash outlays that will be made during the period of the advance. NOTE: As a general rule, the amount requested must be limited to that which will be disbursed within 3 days of receipt of funds from DOH. |
| 11 | Grantee Certification. The request must be signed by original signature of an official in the grantee organization who is legally able to bind the organization. |
| • | The request must be approved by the designated Project Officer assigned day-to-day programmatic oversight of the project and the Grant Management Officer. The Grant Administrator should initial approval. |
| * | The Grant Management Officer is the official designated to be responsible for the conduct of the program from which the grant project is funded. |

ATTACHMENT E

SAMPLE FORMAT

REQUEST FOR AMENDMENT

LETTER ON GRANTEE LETTERHEAD

Regarding Project No.: _____

Dear (Name of Agency Grant Management Officer):

As (project director or other authorized representative of the grantee organization) of the above referenced project, I am requesting an amendment to the project's scope of work as described below:

Description of objective change:

Proposed solution to change:

Reason for proposed change:

Proposed change to budget:

Proposed change to schedule:

Sincerely,

(Original Signature)

(Title of Authorized Grantee Representative)

ATTACHMENT F
GRANTEE INVENTORY CERTIFICATION

I do hereby certify as Executive Director of (name of Grantee Organization), that the attached inventory schedules are complete and correctly list and describe all items of equipment with a current value over \$5,000 used in the performance of Grant Number _____. I will immediately notify the Agency CFO of any change affecting these inventory schedules at any time prior to final disposition of the inventory.

(Signature)

(Date)