



OMB Circular A-133 and OMB Uniform Guidance (UG)

Part 200, Subpart F, 200.500 - 200.521
Audit Requirement

Learning Objectives:

- Overview of A-133 and UG Audit Requirements
- Preparing for an audit
- Examine roles and responsibilities for subrecipient monitoring
- Identify good business practices for subaward management

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A-133 and UG Emphasis

- Sets standards for audit consistency and uniformity
- Identifies compliance requirements
- Establishes criteria for testing internal controls
- Tests for reasonable assurance that financial statements are accurate

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Risk Based Approach

- Identify major programs based on expenditures in fiscal year
- Review previous audit findings
- Review new programs or those with regulatory changes
- Review personnel or system changes at institution

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Risk Assessment

- Focus is on high risk transactions
- Cost sharing
 - Direct vs. F & A costs, Admin Costs
 - Shared use items
 - Compensation-personnel services (Effort)
 - Subrecipients

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OMB A-133 & UG Organization

- OMB A-133, Subpart A - General
 - States the purpose of the circular and definitions of frequently used terms
- UG 200.500 – States purpose
- OMB A-133, Subpart B – Audits, OMB UG 200.501 – 200.512
 - Specific information on audit requirements.
 - Audit required (Single Audit)
 - A-133 Threshold-expends \$500K or more during fiscal year
 - UG Threshold-expends \$750K or more during fiscal year

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OMB A-133 & UG Guidance

A-133, Subparts C-E, UG 200.

- Responsibilities defined for:
 - Auditees (the university) (C), UG 200.508-200.520
 - Federal Agencies (D), UG 200.513
 - Pass-Through Entities (D), UG 200.330-331
 - Auditors (E), UG 200.514

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OMB A-133 & UG Guidance

OMB Circular A-133 Appendix

- A.- Data Collection Form
- B.- Compliance Supplement

Uniform Guidance Appendix

- X. Data Collection Form
- XI. Compliance Supplement

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**Definitions to know for:
OMB A-133 & UG Guidance**

- CFDA Number – (UG 200.10) The number assigned to a Federal program in the Catalog of Federal Domestic Assistance (CFDA).
 - 46.RD-NSF, 12.RD-DOD
- Internal Controls- (UG 200.61) Process designed to provide reasonable assurance of achieving the following:
 - Effective & efficient operations
 - Reliable financial reporting
 - Compliance with laws & regulations

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**More definitions to know...
OMB A-133 & UG Guidance**

- Corrective Action (UG 200.26)-actions taken by auditee to correct identified deficiencies and produces recommendations for improvements in policies and procedures
- Federal Award (UG 200.36)-federal financial assistance and federal cost-reimbursement contracts that non-Federal entities receive directly from federal agencies or indirectly from pass-through entities.

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**A-133 Subpart B and UG Guidance
(200.501 to 200.504)**

Defines:

- Who is required to be audited
- Frequency of audits

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A-133 Subpart C and UG Guidance 200.508

Auditee responsibilities:

- Identify all Federal awards received
- Maintain control over Federal program
- Comply with laws & regulations
- Prepare financial statements
- Ensure audits are done & submitted on time
- Follow up and take corrective action

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Pass-Through Entities (UM) Responsibilities

SPAC(Sponsored Programs Accounting and Compliance's(formerly OCGA) role:

- Receive and incorporate subrecipient's financial reports with reporting requirements of prime award

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A-133 Subpart E and UG Guidance 200.514 to 200.520

Auditor Responsibilities:

- Financial statements
- Internal control
- Compliance with regulations
- Follow-up on prior audit findings

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Internal Controls

- Sense of conducting operations ethically
- Positive responsiveness to questioned costs
- Staff knowledge of compliance requirements
- Training programs

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**Compliance Requirements, UG Guidance
– Appendix XI**

- Ensure that funds were used only for activities that further the objectives outlined in the award document
- 7 areas of review (A-N):
 - Emphasis on largest expenses
 - Employee compensation
 - F&A costs
 - Equipment

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**Compliance & Internal Controls, UG Guidance
Appendix XI-Compliance Supplement**

- L. Reporting
- *Financial* - Recipients should use standard financial reporting forms
 - *Performance* - at least annually must submit actual accomplishments compared to goals
 - *Special Reporting* - as required by the agency, i.e. DOJ semi-annual report

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**Compliance & Internal Controls and UG
Guidance Appendix XI**


- M. Subrecipient Monitoring
- Ensure Compliance with Federal requirement
 - Reasonable assurances that subrecipients obtain required audits

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Types of Audits


- Pre-award (\$1mil or greater)
- Financial Statement
- OMB A-133
- Program/Site Visits
- Disclosure Statement
- F&A Cost Proposal
- Procurement System Review
- Property System Review

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Surviving an Audit


Question: When do you begin preparing for an audit?

Answer: The day you submit the proposal!

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Key to Successful Audit

- Organized Files
- Documentation
- Appropriate Approvals
- Audit Trails
- Knowledge of policies and regulations


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Audits

Document! Document! Document!


When transfers are required — **“Defend the Debit”**

Auditors want to know why the award was charged for the expense

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Auditor Management

- Don't assume the auditor has basic knowledge of regulations
- Understand all auditors questions
- If you are not sure - check it out
- Don't ramble or provide additional information
- Keep track of questions and responses
- Accompany the auditors when they speak to PI

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Previous UM Audit Findings

- Cost price analysis for reasonability of costs on “subcontract” only
- Lack of documentation/eligibility on Subawards
- Expense Transfers missing complete explanations of why/how the error occurred
- Charging Administrative salaries to awards not in the sponsor approved budget
- Equipment on loan from federal government not in inventory system
- Lack of Technical Reporting documentation
- Cash Management

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Possible Consequences for Noncompliance

- Corrective Actions
- Additional Special Award Terms and Conditions
- Loss of Expanded Authorities
- Cost Disallowance and Repayment
- Termination of Award
- Civil and/or Criminal Violations and Imposed Penalties

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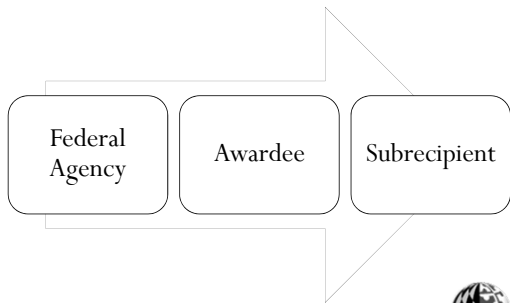
Why do Subawards = Audit Risk?

- “NIH holds grantees accountable for their subawardee’s research, spending, and reporting actions, which must conform to all terms and conditions of a grant award.”
- [NIH National Institute of Allergy and Infections Diseases Policy]

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Uniform Guidance – Subpart D



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Inclusion of a Subrecipient in a federal proposal means what?

Subrecipient is:

- Qualified to perform the statement of work within proposed project period
- Proposal complies with internal subrecipient fiscal policies and requirements of the solicitation
- Sufficient Administrative and Financial Management support in place to comply with federal regulations
- Not debarred or suspended or ineligible to receive federal funds

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Subrecipient's Authorized Signature is essential!!!



Uniform Guidance – Subpart D Federal Subaward Requirements

Subrecipient Monitoring and Management

PRE-AWARD

- Subrecipient vs Contractor Decision (200.330)
- Fixed Amount Subawards (200.332)

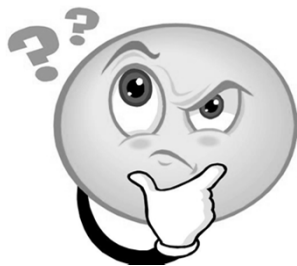
POST AWARD

- Pass-through Entity (UM) Responsibilities (200.331)
- Remedies for Noncompliance (200.338)
- Termination (200.339)
- Closeout (200.343)

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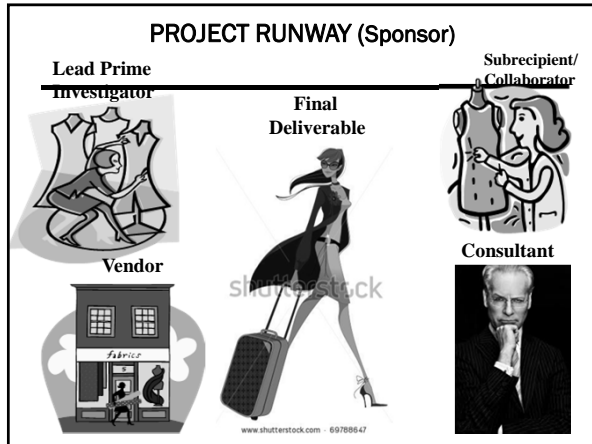


Subrecipient or Contractor (Vendor) (200-330) – How do I decide???



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COST REIMBURSEMENT OR FIXED PRICE BUDGET - 200.201 (b) – Why do I care?

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COST REIMBURSEMENT vs FIXED PRICE BUDGET - Differences

- **Cost Reimbursement:**
 - Uncertain final costs
 - Uncertain project results
 - May need more money and time – (Risk on sponsor)
 - Invoices = Detailed expenses broken out by category
- **Fixed Price:** (Agency pre-approval?)
 - Costs can be pre-determined with a high degree of accuracy
 - Project scope and deliverables measurable and clearly defined
 - Payments based on deliverables/pricing schedule
 - Cost overruns – no more \$\$ (Risk on Subrecipient)
 - Fixed Price Invoices = No detailed costs

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Cost Reimbursement Subaward

- **Cost Reimbursement Budget** (preferred)
 - Easier to monitor costs by category
 - Only pay for costs actually incurred
 - Monthly invoices show activity (or not)
- **AUDIT RISK**
Auditor’s ask for detailed back-up of any/all expenses

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Fixed Price Subaward- 200.201 (b)

- **Strong justification** required at proposal stage
- Cannot be used if “committed cost sharing” proposed
- For-profits often prefer fixed price = guarantees a fixed payment
- Payment based on predetermined deliverables for a specific dollar amount and specific due dates
- Final Payment – Only after all deliverables received
- **AUDIT – Fixed Price subcontracts generally not audited (use with foreign or “high risk” entities)**

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Fixed Price Subaward Justification

• At Proposal Stage, justify “fixed price” subaward request:
 “The Subaward to __ (Subrecipient Name) __
 incorporated into this proposal meets the criteria described in Subpart C – 200.201 (b) and the University of Maryland is therefore requesting prior agency approval to issue a Fixed Price Subaward to this entity. The University will consider this request approved if an award is forthcoming and no contrary guidance from the agency is provided at the time of Award.”

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**Pass-through entity (UM):
Post Award Responsibilities**

Determine "risk" level

- **Subrecipient Monitoring & Oversight Committee Review (SMOCR)**
- Process begins upon receipt of Subaward Request Form by Subaward Administrator/ORA
- Extends time required to issue Subaward
- Risk Assessment Chart (High, Med, Low)
- May result in additional financial terms, reporting requirements, site visit, etc.



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**Pass-through entity (UM):
Post Award Responsibilities**

- ORA Subaward Unit duties:
- Construct Subaward and negotiate terms
 - Issue Modifications (more time/money/new PI, etc.)
- Address non-performance issues reported by PI throughout the period of performance



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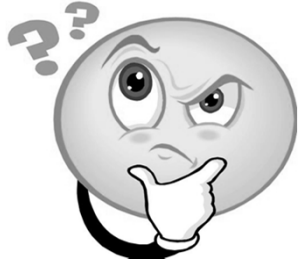
**PI/Departmental:
Post Award Responsibilities**

- Request Subaward and Modifications
- Ensure receipt of required reports and deliverables in accordance with the terms of the Subaward
- Approve all invoices for payment
- **AUDIT:** May ask for technical reports and communication between PI's



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What raises a "red flag" on an invoice?



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**Principal Investigator:
Post Award Subrecipient Responsibilities**

Review/approve Invoices:

- Dollar amount exceeds funds authorized to date
- Billing period is outside period of the subaward
- Cost Reimbursement –
 - Significant changes in budget categories, personnel
- Fixed Price –
 - Deliverables not received on due dates
 - Deliverables do not match what was expected
 - Invoiced amount different from payment schedule

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**Principal Investigator:
Approval of Subrecipient Invoices**

PI's approval of a subrecipient invoice means:

"In signing below, I approve payment of this invoice and attest that the charges appear reasonable and Subawardee's progress to date on this project is satisfactory and in keeping with the statement of work."

IF THIS IS NOT TRUE----DO NOT APPROVE!

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What if something goes wrong?!



- UIM Principal Investigator contacts Subrecipient PI to discuss performance or payment issues
- UIM PI sends follow-up email summarizing specific problems, proposed correction and timeframe
- If problem persists, contact ORA Subaward Unit Administrator
- Stop approving invoices until resolved

CONTACT SUBAWARD UNIT!



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TERMINATION - 200.339



If problems persist, options are:

- Temporary "Suspension" or "STOP WORK ORDER"
 - Partial or Full Termination –
Explain nature of the problem; what is needed in order to "cure" the problem? Usually a set amount of time allowed.
 - Grant = Termination for Convenience
 - Contract = Termination for Cause
- Termination clause essential to any Subaward Agreement.**



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**Principal Investigator:
SUBAWARD CLOSEOUT**



Principal Investigator responsible for ensuring receipt of:

- Final Technical Report/Deliverables from Subawardee
- Final Invoice
(Generally due 60 days following end date or as otherwise specified in the Subaward document)

Remaining encumbrances released in KFS by Departmental Business Officer...not ORA.



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Pass-through Entity (UM) Responsibilities: SUBAWARD CLOSEOUT



ORA RESPONSIBILITIES:

- Collect "Closeout Certification" from the Principal Investigator and from Subrecipient
- Upload "Closeout Certification" into COEUS and mark subaward status as CLOSED
- Subaward file sent to be scanned into OPTIX for future retrieval

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Resources

- Complete text of OMB Circular A-133:
www.whitehouse.gov/sites/default/files/omb/assets/a133/a133_revised_2007.pdf
- Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards:
<https://www.federalregister.gov/articles/2013/12/26/2013-30465/uniform-administrative-requirements-cost-principles-and-audit-requirements-for-federal-awards#h-166>
- UIM Subaward Forms
<http://ora.umd.edu/forms/umf>
- UIM Subcontract Manual
<http://ora.umd.edu/resources/subcontract-manual>

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