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North Sound Mental Health Administration

Section 3000 – Fiscal: Vendor vs. Subrecipient Auditing Guidelines

Authorizing Source:
Cancels:
See Also:
Responsible Staff: Fiscal Officer

Approved by: Board of Directors
Motion #: 98-072

Date: 11/19/98

POLICY #3038.00

SUBJECT: VENDOR VS SUBRECIPIENT AUDITING GUIDELINES

POLICY

All agencies providing contracted services to or for the NSRSN will be classified to be either a vendor or subrecipient.

PROCEDURE

Definitions

Single Audit – a financial, internal control and compliance audit completed on an entity as a whole. It encompasses all financial activities of the organization.

Subrecipient – any person, governmental organization, or non-profit organization that receives federal financial assistance through the state to carry out a federal program for which they are accountable through an agreement, a contract, or an award. This does not include an individual that is a beneficiary or an organization who provides administrative support of such a program. A subrecipient may also be a direct recipient of Federal award under other agreements.

Vendor – a subcontractor who is a (1) for profit or (2) a not-for-profit organization that provides the state and the NSRSN with generally required goods or services that are related to the administrative support of the federal assistance program.

1. **Administrative Support** – any subcontractor who meets the following criteria shall be considered a vendor and does not fall under the requirements of the Single Audit Act as defined in OMB Circular's A-133.
 - a. The subcontractor is a for profit organization; or
 - b. The subcontractor contracts on a fee for service basis, firm-fixed price basis, or a unit cost rate basis; AND
 - c. The subcontractor provides services as specified by the grantor to the beneficiaries determined eligible by an entity independent of the subcontractor and the contract stipulates penalties of reimbursement to the state and/or NSRSN if the subcontractor fails to meet program performance standards.

Federal Financial Assistance – federal funds subject to the Single Audit Act and covered by OMB Circular A-133. Federal funds provided in the form of grants, contracts, loans, loan guarantees, property, cooperative agreements, interest subsidies, insurance, or direct appropriations. Does not include direct federal cash or cash equivalent assistance to individuals or payment for VENDOR services.

All subcontractors will be identified as either SUBRECIPIENTS or VENDORS. This process will include:

1. Identification of the total amount of federal financial assistance received by the subcontractor entity;
2. Ensure that the contract contains language which identifies the subcontractor as a SUBRECIPIENT or VENDOR;
3. The Federal Catalog number for federal financial assistance funds contracted;
4. Ensure that the contract language is specific, as to the audit requirements as determined by contract type as detailed in this policy; and
5. A form, which documents the step-by-step criteria, established in **Vendor 1 (a)** and names the entity, which determines the service beneficiary eligible for services.

Written documentation of the process shall be maintained in the subcontractors contract file for review by the auditor.

The audit of SUBRECIPIENTS and VENDORS will be conducted with reasonable frequency on a continuing basis or at scheduled intervals annually.

Final audit reports of state, local governments, universities, colleges, non-profit institutions and Indian Tribes are due no later than twelve months following the end of the entity's fiscal year.

Final audit reports and the required reporting package of institutions of higher education, hospitals and other non-profit organizations are due no later than nine (9) months following the end of the entity's fiscal year. The required reporting package should be submitted within 30 days after issuance of the auditor's report(s) to the auditee.

SUBRECIPIENTS shall be required to do the following:

1. State, local governments, Indian Tribes, institutions of higher education, hospitals and non-profit organizations that receive \$300,000 or more in federal financial assistance shall have an audit made in accordance with OMB Circular A-133.
2. State, local governments, Indian Tribes, institutions of higher education, hospitals and non-profit organization that receive less than \$300,000 a year in federal financial assistance are exempt from Federal Single Audit requirements for that year.
3. All audits of subrecipients shall be performed in accordance with generally accepted auditing standards and the standards for financial related audits contained in the Government Auditing Standards – Standards for Audit of Governmental Organizations, Programs, Activities and Functions issued by the US General Accounting Office. In addition, the audit shall adhere to the general and specific compliance requirements pertaining to the specific federal funding source; these requirements are found in the OMB Compliance Supplement, federal compliance shall meet the terms of the specific grant award and/or Current Federal Regulation (CFR), or

Subcontractors that receive less than \$300,000 in federal awards, subcontractors who are private for profit agencies, subcontractors who are solely state funded and/or subcontractors who are identified as VENDORS currently do not fall under the requirements of the Single Audit Act.

These subcontractors are required to have an audit in accordance with:

1. WAC rules;
2. Provisions of the federal grant;
3. DSHS BARS fiscal policies;
4. Terms and Conditions of their contract.

Terms and Conditions of the contract concerning audit requirements shall be specific to the type of contract.

ATTACHMENTS

None