

**APPENDIX A**

**SUBRECIPIENT MONITORING GUIDELINES**

# LOS ANGELES POLICE DEPARTMENT SUBRECIPIENT MONITORING GUIDELINES

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## I. PURPOSE OF GUIDELINES

Office of Management and Budget (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, grant subawards to other organizations. Such primary recipients, such as local governmental agencies, are termed “pass-through entities.” OMB Circular A-133 requires pass-through entities to monitor the activities of subrecipients to ensure that federal awards are used appropriately and that performance goals are achieved. Pass-through entities must ensure that subrecipients meet any audit responsibilities.

To assist with meeting these requirements, three exhibits are provided:

- Exhibit 1 – Subrecipient Monitoring Report (to be completed by Grants Section employees)
- Exhibit 2 – Sample Subrecipient A-133 Audit Certification Request (to be completed annually by subrecipient), and
- Exhibit 3 – Sample Management Decision Letter (to be issued when a response to the certification request in Exhibit 2 indicates finding(s) relevant to the Department, and when the corrective action plan is acceptable. When the plan is unacceptable, a Department decision should be drafted on a case by case basis.)

## II. REFERENCES FOR SUBRECIPIENT MONITORING

The purpose of subrecipient monitoring is to ensure that Federal program funds are being spent in accordance with the Federal program and grant requirements, laws and regulations. The monitoring requirements apply equally to state, local and tribal governments as well as for-profit and non-profit organizations. The requirements for subrecipient monitoring can be found in:

- Title 28 CFR Part 66 and Title 28 CFR Part 70
- 31 U.S.C Section 7502
- Office of Management and Budget (OMB) Circular A-133
- OMB Circular A-102
- Title 2 CFR Part 215 (formerly OMB Circular A-110)
- Title 2 CRF Part 176 (for 2009 ARRA Section 1512 awards)

# LOS ANGELES POLICE DEPARTMENT SUBRECIPIENT MONITORING GUIDELINES

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Additional requirements can be found in the program legislation and the terms and conditions of the award.

## III. DEFINITIONS AND TERMS

### A. Direct Recipient

*“Recipient means a non-Federal entity that expends Federal awards received directly from a Federal awarding agency to carry out a Federal program.”*

Direct recipients are required to adhere to applicable local laws, the financial and administrative rules summarized in the 2013 US DOJ, OJP Financial Guide or the US, DHS Financial Management Guide, and technical requirements. They are also required to adhere to the requirements of Office of Management and Budget (OMB) circulars and Federal Government-wide common rules contained in the Code of Federal Regulations (CFR).

### B. Subrecipient

A subrecipient is any organization receiving Federal funds from a direct recipient of Federal funds.

Subrecipients are required to adhere to the applicable law of their jurisdiction and the financial and administrative rules summarized in the OJP Financial Guide or the DHS Financial Management Guide. The direct recipient may also impose additional financial and administrative requirements. Subrecipients are also required to adhere to the requirements of Office of Management and Budget (OMB) circulars and Federal Government-wide common rules contained in the Code of Federal Regulations (CFR).

### C. Contract/Agreement

A contract or other written agreement must not affect the Department's overall responsibility and accountability to the Federal Government as the original award recipient for the duration of the project. The primary recipient is responsible for monitoring the subrecipient and ascertaining that all fiscal and programmatic responsibilities are fulfilled.

# LOS ANGELES POLICE DEPARTMENT

## SUBRECIPIENT MONITORING GUIDELINES

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### D. Federal Award

"Federal award means Federal financial assistance and Federal cost-reimbursement contracts that non-Federal entities receive directly from Federal awarding agencies or indirectly from pass-through entities. It does not include procurement contracts, under grants or contracts, used to buy goods or services from vendors."

### E. Limited Scope Audit

"For purposes of the subrecipient monitoring requirements of OMB Circular A-133, limited scope audits only include agreed-upon procedures and engagements conducted in accordance with either the AICPA's (American Institute of Certified Public Accountants) generally accepted auditing standards or attestation standards, that are 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."

### F. Pass-through Entity

"*Pass-through entity* means a non-Federal entity that provides a Federal award to a subrecipient to carry out a Federal program."

### G. Program-specific Audit

"*Program-specific audit* means an audit of one Federal program..."  
"When an auditee expends Federal awards under only one Federal program and the Federal program's laws, regulations, or grant agreements do not require a financial statement audit of the auditee, the auditee may elect to have a program specific audit conducted..."

### H. Reporting Package

"The reporting Package shall include:

1. Financial statements and schedule of expenditures of Federal awards...
2. Summary schedule of prior audit findings...
3. Auditor's report(s)...and
4. Corrective action plan..."

## LOS ANGELES POLICE DEPARTMENT SUBRECIPIENT MONITORING GUIDELINES

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For further detail refer to OMB Circular A-133 Subpart C, Section \_\_.320 (c) Reporting package.

### I. Single Audit

*"Single audit* means an audit which includes both the entity's financial statements and the Federal awards..."

### J. Subaward

*"Subaward* means an award of financial assistance in the form of money, or property in lieu of money, made under an award by a recipient to an eligible subrecipient or by a subrecipient to a lower tier subrecipient," per OMB Circular A-110 Section .2 Definitions.

## IV. DISTINCTIONS BETWEEN SUBRECIPIENTS AND VENDORS

With respect to a federal award, an entity may be a recipient, a subrecipient, and/or a vendor. Federal awards expended as a recipient or a subrecipient are subject to audit or other requirements of OMB Circular A-133. Payments made to or received as a vendor are not considered Federal awards and are therefore not subject to such requirements. The following information is presented to assist with identifying subrecipient versus vendor relationships:

### A. Subrecipient

Subrecipient means a non-Federal entity that receives Federal awards from a pass-through entity to carry out a Federal program, but does not include an individual that is a beneficiary of such a program. The OMB Circular A-133 definition of a "subrecipient" indicates a subrecipient "...is accountable to the recipient for the use of the funds provided." A subrecipient may also be a recipient of other Federal awards received directly from a Federal awarding agency.

As stated in OMB Circular A-133:

Characteristics indicative of a Federal award received by a subrecipient are when the organization:

1. Determines who is eligible to receive what Federal financial assistance;

## **LOS ANGELES POLICE DEPARTMENT SUBRECIPIENT MONITORING GUIDELINES**

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2. Has its performance measured against whether the objectives of the Federal program are met;
3. Has responsibility for programmatic decision making;
4. Has responsibility for adherence to applicable Federal program compliance requirements; and
5. Uses the Federal funds to carry out a program of the organization as compared to providing goods or services for a program of the pass-through entity.

When determining 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 and judgment should be used in determining whether an entity is a subrecipient or vendor depending on the facts and circumstances.

### **B. Vendor**

As stated in OMB Circular A-133, vendor means a dealer, distributor, merchant, or other seller providing goods or services that are required for the conduct of a Federal program. Characteristics indicative of a payment for goods and services received by a vendor are when the organization:

1. Provides the goods and services within normal business operations;
2. Provides similar goods or services to many different purchasers;
3. Operates in a competitive environment;
4. Provides goods or services that are ancillary to the operation of the Federal program; and
5. Is not subject to compliance requirements of the Federal program.

The Department's compliance responsibilities for vendors typically are to ensure that the procurement, receipt, and payment for goods and services comply with laws, regulations, and the provisions of contracts or grant agreements.

## **V. DIRECT RECIPIENT RESPONSIBILITIES**

- A. Ensure subrecipient compliance by developing a Request for Proposal with a detailed Scope of Work and require a time-phased milestone

## **LOS ANGELES POLICE DEPARTMENT SUBRECIPIENT MONITORING GUIDELINES**

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plan of action based on accomplishments defined in the subrecipients' Scope of Work response. Budget line items should be integrated into the performance plan

- B. Provide the subrecipient of the Federal award information and applicable compliance requirements, including those imposed by law or regulation, grant and contract agreement and applicable special condition, and approved budget line items. The contract/agreement must include the following information and conditions:
1. Catalog of Federal Domestic Assistance (CFDA) title and number;
  2. Award name and number;
  3. Name of the Federal awarding agency;
  4. Activities to be performed;
  5. Period of Performance;
  6. Project policies;
  7. Original award flow-through requirements that are applicable to the subrecipient;
  8. Other policies and procedures to be followed;
  9. Dollar limitation of the agreement;
  10. Cost principles to be used in determining allowable costs;
  11. Level of authorized funding from budget;
  12. Cost, billing, and payment (cost reimbursable);
  13. Records and audits;
  14. Key personnel;
  15. Subcontracting and assignment consent;
  16. Termination and disputes;
  17. Subrecipient invoice format:
    - Monthly and cumulative columns,
    - Incurred cost should be the same as the budget line items from SF 424a as rows,
    - Line item expenses should have an internal crosswalk to natural accounts, and,
    - Show total authorized funding,
    - Show backlog: authorized funding less costs to date.
  18. Financial Reporting—Frequency (at a minimum, quarterly, and at the end of the award).
- C. Monitor the subrecipients' activities to provide reasonable assurance that Federal awards are used for authorized purposes in compliance

## **LOS ANGELES POLICE DEPARTMENT SUBRECIPIENT MONITORING GUIDELINES**

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with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved. (See Exhibit 1 and Exhibit 2.)

- D. Ensure that subrecipients who expend \$500,000 or more in Federal awards during their fiscal year have met the OMB Circular A-133 audit requirements for that fiscal year. (See Exhibit 2.)
- E. Issue a Department/management decision on relevant audit findings within six months of receiving the subrecipient's audit report and ensure that the subrecipient takes appropriate and timely corrective action. (See Exhibit 3.)
- F. Consider whether the audit findings of the subrecipient result in a need to adjust City records.
- G. Require the subrecipient to allow the LAPD Grants Section and auditors to have access to their records and financial statements as necessary.

### **VI. SUBRECIPIENT MONITORING**

The Grants Section is responsible for monitoring subrecipients as required by Federal regulations. However, the level of scrutiny and oversight may vary by subrecipient. The Grants Section should consider the relative risk of noncompliance and nonperformance that each subrecipient presents. Many factors may influence the extent of monitoring procedures such as: the size of the subaward made to the subrecipient, the total number and dollar of federal direct and pass-through awards being expended by the subrecipient, the newness of the relationship with the subrecipient, past experience with the subrecipient, and the complexity of the compliance requirements.

OMB Circular A-133 does not specify techniques to be used to accomplish subrecipient monitoring; therefore a variety of techniques may be used to accomplish the required objectives. In order to provide assurance that the subrecipient has administered the pass-through funding in compliance with the laws, regulations, and the provisions of the award and that the required performance goals are being achieved, the LAPD will utilize the following performance mechanisms to monitor the subrecipient's activities:



## LOS ANGELES POLICE DEPARTMENT SUBRECIPIENT MONITORING GUIDELINES

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- A. Review monthly financial and performance reports and supporting documentation to be submitted by the recipient. Performance reports should discuss:
  - 1. Milestones achieved/to be achieved
  - 2. Any significant problem, issues or concerns
  - 3. Timely accomplishments or delays
  - 4. Actual cost incurred compared to each budget line item with variances explained.
  
- B. Perform subrecipient site visits to examine financial and programmatic records and observe operations;
  
- C. Require additional documentation to support claims for reimbursement, particularly from subrecipients receiving less than \$500,000.
  
- D. If no site visit is conducted, consider review of detailed financial and program data and information submitted by the subrecipient including timesheets, invoices, contracts, and ledgers that tie back to financial reports; and
  
- E. Regular communication with subrecipient including conference calls with respect to appropriate inquiries concerning program activities.
  
- F. Document routine contacts such as telephone conversations, e-mails, meetings, letters, etc.
  
- G. Perform Limited Scope Audits, if necessary
  
- H. Use third-party information obtained from other awarding agencies which may have monitored or overseen a particular subrecipient, if available.

Regardless of the technique used, all relevant information including the process and result should be **documented**. The Department must demonstrate monitoring efforts for each subaward made. These policies, as adopted by the LAPD, have become part of the internal control structure of subrecipient contracting. As such, the policies must be followed, otherwise the Department could be cited in its OMB Circular A-133 audit with an internal control finding.

# **LOS ANGELES POLICE DEPARTMENT SUBRECIPIENT MONITORING GUIDELINES**

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## Award Contract/Agreement Penalties and Sanctions:

- Withholding of disbursements or further awards
- Disallowance of cost
- Suspension/termination of award
- Suspension/Debarment
- Civil lawsuit, or
- Criminal prosecution

## **VII. A-133 AUDIT REQUIREMENT**

Subrecipients expending \$500,000 or more in Federal awards during the subrecipient's fiscal year must provide the LAPD with the required completed subrecipient audit reporting package within 9-months after their year-end or one month after the issuance of their audit.

- A. The LAPD shall obtain written certification from subrecipients, expending \$500,000 or more per year in federal awards, that they have met the requirements of OMB Circular A-133. Such subrecipients are required to send:
1. A copy of their reporting package (see definition in Section III. H.) if there are audit findings related to the pass-through entity, or
  2. A written statement specifying that an audit has taken place and there were no findings relevant to the awarding agency involved.
- B. Once the reporting package is received, the LAPD will:
1. Evaluate the impact of subrecipient activities on the Department's ability to comply with applicable Federal regulations,
  2. Issue a management decision on audit findings within 6-months after receipt of the subrecipients' audit report, and
  3. Ensure that the subrecipient takes timely and appropriate corrective action on all audit findings.

\*Note: Per OMB Circular A-133, subrecipients are not required to submit a copy of the reporting package to the direct recipient when there are "no audit findings." However, information obtained from the Federal Audit Clearinghouse (FAC) database as evidence to verify that the required audit was performed and the subrecipient has "no audit findings." Per the DOJ Financial Guide, this verification is in lieu of

## **LOS ANGELES POLICE DEPARTMENT SUBRECIPIENT MONITORING GUIDELINES**

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reviewing submissions from the subrecipient when there are no audit findings. The FAC database is available on-line.

### **C. Sanctions**

When a subrecipient who is required to have an audit conducted under OMB Circular A-133 is unable or unwilling to have such an audit, the Department, as a pass-through entity, is required to take appropriate action. OMB Circular A-133 identifies appropriate sanctions such as:

- Withholding a percentage of Federal awards until the audit is completed satisfactorily;
- Withholding or disallowing overhead costs;
- Suspending the Federal award until the audit is conducted; or
- Terminating the Federal award.

## **VIII. AUDIT FINDINGS**

Subrecipient audit findings that relate to any Federal awards the Department passes through must be issued within 6-months of receipt of the audit report.

OMB Circular A-133 requires the decision to clearly state:

- whether or not the audit finding is sustained,
- the reasons for the decision, and
- the expected auditee action – repay disallowed costs, make financial adjustments, or take other action.

If the auditee has not completed corrective action, a timetable for follow-up should be given. Prior to issuing the management decision, the Grants Section may request additional information or documentation from the audit, including a request for auditor assurance related to documentation, as a way of mitigating disallowed costs. The audit report should describe any appeal process available to the auditee. Audit reports must include the reference numbers the subrecipient's auditor assigned to each audit finding.

## **LOS ANGELES POLICE DEPARTMENT SUBRECIPIENT MONITORING GUIDELINES**

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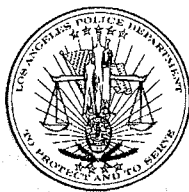
### **IX. AUDIT COSTS**

Unless otherwise prohibited, the costs of audits made in accordance with OMB Circular A-133 are allowable charges to Federal awards. The costs may be considered a direct cost or an allocated direct cost, as appropriate. However, such costs would be unallowable for:

- Any audit not conducted in accordance with OMB Circular A-133, or
- Any audit conducted when the non-Federal entity expended less than \$500,000 in Federal awards and was, therefore, exempted from having such an audit.

# LOS ANGELES POLICE DEPARTMENT

**MICHEL R. MOORE**  
Chief of Police



**ERIC GARCETTI**  
Mayor

P. O. Box 30158  
Los Angeles, California 90030  
Telephone: (213) 486-0380  
TDD: (877) 275-5273  
Ref #: 3.5

Date

Ms. or Mr. First & Last Name, Title  
Address of Subrecipient

Dear Ms. or Mr. Last Name,

OMB Circular A-133 "Audits of States, Local Governments, and Non-Profit Organizations," requires the Department to ensure that subrecipients expending \$500,000 or more in federal funds comply with the audit requirements of OMB Circular A-133. Our records indicate that your institution was a subrecipient of federal funds "passed through" the City of Los Angeles, Los Angeles Police Department for the fiscal year ending \_\_\_\_\_. As a result, we request that you complete the following certification/information request and provide any requested documents.

1.  Our A-133 audit, for the fiscal year ended \_\_\_\_\_, has been completed. The schedule of findings and questioned costs disclosed no audit findings **relating to** the Federal award(s) that the City of Los Angeles provided to our institution. *(Please sign and return this certification to the Los Angeles Police Department, Grants Section. A copy of your A-133 reporting package need not be included.)*
2. Our A-133 audit, for fiscal year ended \_\_\_\_\_ has been completed and  
 The schedule of findings and questioned costs disclosed an audit finding(s) relating to a Federal award(s) that the City of Los Angeles provided to our institution, **and/or**  
 The summary schedule of prior audit findings reported on the status of an audit finding(s) **relating to** a Federal award(s) that the City of Los Angeles provided to our institution.

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[www.LAPDOnline.org](http://www.LAPDOnline.org)  
[www.joinLAPD.com](http://www.joinLAPD.com)

Please reference below the specific audit finding(s) noted in the audit report or summary schedule of prior audit findings that relate to a City of Los Angeles sponsored agreement.

Finding **reference number(s)** \_\_\_\_\_

*(Please sign and return this certification to the Los Angeles Police Department, Grants Section and enclose a copy of your reporting package (i.e., Financial Statements and Schedule of Expenditures of Federal Awards, auditor's report(s), and corrective action plan for audit findings, and a summary schedule of prior audit findings.)*

3.  Our A-133 audit for the fiscal year ended \_\_\_\_\_, has not been completed. We expect the audit report to be available by \_\_\_\_\_ at which time we will forward to the Los Angeles Police Department, Grants Section another copy of this certification, with the appropriate sections completed, and any required information.
4.  We are not subject to the audit requirement of A-133.  
Explain: \_\_\_\_\_

I certify that the boxes checked above are appropriate for the institution I represent and, if applicable, all audit findings related to the City of Los Angeles have been disclosed.

Signature: \_\_\_\_\_ Date of Certification: \_\_\_\_\_

Name: \_\_\_\_\_ Title: \_\_\_\_\_

Please address your response to:

Stella Larracas, Officer in Charge, Los Angeles Police Department, Grants Section  
100 West First Street, Room 842, Los Angeles, California 90012

Very truly yours,

MICHEL R. MOORE  
Chief of Police

ANNEMARIE SAUER, Police Administrator II  
Commanding Officer  
Fiscal Operations Division

Enclosure



		YES	NO	N/A
<b>1</b>	<b>PERSONNEL</b>			
	1. Review the organizational chart. Are all budgeted positions identified?			
	2. Are timesheets signed by staff & approved by supervisor?			
	3. How do they determine if payroll charges are fair and reasonable? Are there functional timesheets for specific projects?			
	Comments:			
<b>2</b>	<b>SOURCE DOCUMENTATION</b>			
	1. Does the subrecipient maintain a record-keeping system which will accurately support costs claimed?			
	2. Are expenditures supported by proper documentation, including original records, and reflect the level of detail necessary to permit the tracing of grant funds?			
	3. Where are records filed? Location:			
	4. How long are records kept?			
	Describe the extent of documentation required to support claims for reimbursement:			
	Comments:			
<b>3</b>	<b>TRAVEL</b>			
	1. Does the subrecipient understand LA City travel policies?			
	2. Is there a travel authorization document that approves the travel in advance and explains the purpose of the travel and its relation to award objectives?			
	3. Are travel costs within the established United States General Services Administration per diem rates?			
	Comments:			