

FINANCIAL CONTRACT COMPLIANCE SCREENING TOOL INSTRUCTIONS

Program staff should complete the Financial Contract Compliance Screening Tool **on site** annually for all subrecipient contractors. Please note that the Contract Risk Assessment test score results will drive the frequency and timing of the site visits.

SUBRECIPIENT AND QUASI-SUBRECIPIENT CONTRACTS

1. Inquire if the contractor has a signed copy of the most current and complete contract including all modifications with the OSDH and the accompanying purchase order. (NOTE: For competitive Invitations to Bid (ITB's), the ITB along with the bidder's response constitutes the contract.)
2. Ask the contractor if they have a current copy of their budget (as amended, if applicable) and the OSDH program area has approved what the contractor believes is the current operating budget. View Contractor's working copy of the budget and compare to latest approved revision. Contractors may have requested a budget change verbally or in writing (to someone/anyone in the state office) and may assume the request is automatically approved. Is the contractor operating on the correct budget?
3. Inquire if the number and type of employees actually being reimbursed coincides with the contract budget, type of employee required to perform the work, (i.e., Nurse, clerical, etc.) and the correct percentage of FTE. Assure budget reflects total annual salary.
4. Request a sample copy of two or more employee's Time and Effort Sheets from a previous month to confirm existence. (Select an employee working the program 100% and one working multiple programs, if available). **IMPORTANT:** If the answer to this question is no, report it immediately to Procurement for follow up and formal action.
5. Review Time and Efforts Sheets to confirm employees are reporting their total time worked (40+ hrs/wk) and not just time expended on the OSDH's project or projects.
6. Review and confirm the Time & Effort Sheets clearly report the time worked on individual OSDH programs and time worked on other programs, if applicable.
7. Confirm Time and Effort Sheets are signed by the employee and their supervisor. Obtain a copy from the contract period reviewed during the site visit.
8. If travel is an approved budget line item, ask the contractor if they have a travel policy that meets the requirements of the State Travel Reimbursement Act. (i.e., current mileage reimbursement rate, beginning and ending travel times stated for over night travel, per night maximum rates for hotel, etc.) (Reminder – Contractor may reimburse employees in excess of STRA rates but must not bill OSDH in excess of STRA rates.)

9. Inquire if the contractor's invoices are based on actual documented costs for services and products that have been received and paid prior to billing OSDH for reimbursement.
10. If the approved contract budget allows for reimbursement of indirect costs under an Indirect Cost (IDC) line item, ask if the Contractor has a Federally approved negotiated IDC rate. (View letter of approval from the Federal-approving agency.) Is the contractor billing in accordance with the correct IDC plan?
11. If # 11 is no, does the approved contract budget allow for reimbursement of indirect costs (such as rent, utilities, common supplies, bookkeeper salaries, etc). If yes, ask if the contractor has an approved written cost allocation plan. Please attach. Is the contractor billing in accordance with the correct cost allocation plan?
- 12.

If they do not have an approved IDC rate or a written costs allocation plan and are billing these types of costs, reviewer should request the contractor prepare a written cost allocation plan and submit it to OSDH Program Staff for review.

Definitions

Informal Corrective Action: The process of notifying the Contractor of minor and/or infrequent instances of non-compliance and/or providing assistance in order to correct deficiencies and prevent serious contract disputes.

Formal Corrective Action: The process of correcting Contractor non-compliance of a serious or repeated nature.

The Contract Monitor is directed to the Dispute Resolution and Issues of Non-Compliance chapter in the Subrecipient Contract Monitoring and Administration Manual for additional information and instruction on the exact steps to take.

NOTE: The Contract Monitor will only address issues that require informal corrective action. The Contract Administrator is responsible for initiating Formal Corrective Action.

NOTE: The OSDH Procurement and Internal Audit Divisions will perform additional contract monitoring activities.

Please complete the "Financial Contract Compliance Screening Tool" with the assistance of the contractor's chief executive officer and/or chief financial officer. Review any "no" responses with the financial officer and refer to the contract for guidance. Document any resolution reached, favorable or unfavorable. If you do not reach a favorable conclusion, the worksheet should be discussed with your supervisor and the Contract Administrator.

Please forward the original of all completed worksheets to the OSDH Procurement Division for placement in the agency file of record.

DEFINITIONS

The following definitions are applicable to all subrecipient and Fee-For-Service contracts whether funded with Federal and/or State dollars.

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

Subrecipient means a non-Federal entity that expends Federal awards received 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. (Subrecipient is used synonymously for contracts funded with either Federal or State funds).

Quasi-Subrecipient means a contractor that expends state or non-federal funds and possesses the same characteristics as a subrecipient contractor.

While the federal funds originate from a federal awarding agency, the participants most directly involved in subrecipient monitoring are the pass-through entity (or primary recipient) and the subrecipient because they are parties to sub award agreement.

Pass-Through Entity Responsibilities

A pass-through entity is responsible for ensuring that all of the federal funds it receives, including those passed through to subrecipients, are used only for program-related purposes, as described in the pass-through entity's original grant agreement. Subrecipients vs. Vendors

It is not always clear when the pass-through entity should award federal funds to a subrecipient or a procurement contract to a vendor.

A subrecipient is a state or local government, college, university or nonprofit organization, that expends federal awards received from a pass-through entity to carry out a federal program. Under a sub award, a subrecipient generally:

- determines who is eligible to receive federal financial assistance;
- has its performance measured against whether the objectives of the federal programs are met;
- has responsibility for programmatic decision-making;
- has responsibility for adherence to applicable federal program compliance requirements; and
- uses 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.

In contrast, a vendor is a dealer, distributor, merchant or other seller providing goods or services that are necessary for conducting a federal program. These goods or services may be for an organization's own use or for the use of beneficiaries of the federal program. Under a procurement contract, a vendor: own use or for the use of beneficiaries of the federal program. Under a procurement contract, a vendor:

- provides goods or services within normal business operations;
- provides similar goods or services to many different purchases;
- operates in a competitive environment;
- provides goods or services that are ancillary to the operation of the federal program; and
- is not subject to compliance requirements of federal programs.

Because there may be exceptions to these characteristics, pass-through entities should look at the substance of the relationship to determine whether to award a sub award to a subrecipient or a contract to a vendor. Also, because not all of the characteristics may be present, pass-through entities must use their judgment in determining whether an entity is a subrecipient or vendor.