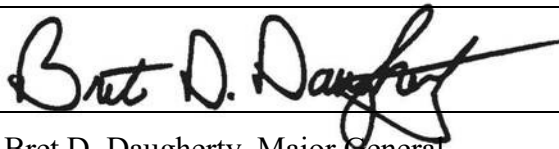




Department Policy No. FIN-110-13

Title:	Requirements for Pass-through Entities
Former Number:	00-025-06
Authorizing Source:	1) Federal Regulations a) 2 CFR Part 200 – Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards b) Government Auditing Standards (Yellow Book) 2) State Regulations a) Revised Code of Washington (RCW) 43.88 – Budgeting, Accounting and Reporting System b) WA State Administrative and Accounting Manual (SAAM) Chapter 50 – Federal Compliance c) WA SAAM Chapter 80 – Accounting Policies
Information Contact:	Chief Financial Officer Building #1 (253) 512-8445
Effective Date:	May 2005
Mandatory Review Date:	November 28, 2022
Revised:	November 28, 2018
Approved By:	 Bret D. Daugherty, Major General The Adjutant General Washington Military Department Director

Purpose

The purpose of this policy is to establish the responsibilities and expectations for Washington Military Department (WMD) state employees that administer federal pass-through funding programs.

Scope

This policy applies to WMD Divisions that have responsibility for the management, administration, and oversight of pass-through funding programs. If a granting authority has

specific pass-through entity requirements or if a granting authority has approved a State Administrative Plan (SAP) for a specific grant, the provisions of the specific pass-through entity requirements or SAP take precedence over the provisions of this policy.

Definitions

1. **Federal Award Date:** The date when the Federal award is signed by the authorized official of the Federal awarding agency.
2. **Grant Agreement:** A legal instrument of financial assistance between a Federal awarding agency or pass-through entity and a non-Federal entity.
3. **Grant Manager:** An employee who has the functional responsibility for pass-through funding management, administration, and monitoring.
4. **Management Decision:** The evaluation by the Federal awarding agency or pass-through entity of the audit findings and corrective plan and the issuance of a written decision to the auditee as to what corrective action is necessary.
5. **Monitoring:** Oversight activities performed to ensure subrecipient financial and programmatic compliance and performance of pass-through funding programs.
6. **Non-Federal Entity:** A state, local government, Indian tribe, institution of higher education, or non-profit organization that carries out a Federal award as a recipient or subrecipient.
7. **Pass-through Entity:** A non-Federal entity that provides a subaward to a subrecipient to carry out part of a Federal program.
8. **Pass-through Funding:** Funds issued to the primary recipient which are sub-awarded to another non-federal entity.
9. **Recipient:** A non-Federal entity that receives a Federal award directly from a Federal awarding agency to carry out an activity under a Federal program.
10. **Single Audit:** An audit performed per generally accepted auditing standards by one audit organization to cover all federal expenditures.
11. **Subaward:** Award of pass-through financial assistance in the form of money to a subrecipient.
12. **Subrecipient:** An entity that receives a subaward from a pass-through entity to carry out part of a Federal or state program.
13. **Technical Assistance:** Guidance, information-sharing and other specific assistance requested by subrecipients.
14. **Unique Entity Identifier:** The identifier required for System of Award Management (SAM) registration to uniquely identify a government organization.

Policy

An effective pass-through funding program assists in identifying and reducing financial or programmatic risks throughout the grant period, thus protecting both public funds and the citizens being served. WMD pass-through funding programs validate that the subrecipient is exercising appropriate stewardship over pass-through funds, and that all deliverables and related

activities comply with applicable laws and regulations, program specific grant guidance, and the subaward agreement throughout the grant lifecycle.

A. Subaward Requirements: Per 2 CFR Part 200.331, WMD Divisions ensure that every subaward is clearly identified to the subrecipient as a subaward and includes the following information:

1. Federal Award Identification.
 - a) Subrecipient name;
 - b) Subrecipient's unique entity identifier;
 - c) Federal Award Identification Number (FAIN);
 - d) Federal Award Date of award to the recipient by the Federal agency;
 - e) Subaward Period of Performance Start and End Date;
 - f) Amount of Federal funds obligated by this action by the pass-through entity to the subrecipient;
 - g) Total Amount of Federal funds obligated to the subrecipient by the pass-through entity including the current obligation;
 - h) Total Amount of the Federal Award committed to the subrecipient by the pass-through entity;
 - i) Federal award project description, as required to be responsive to the Federal Funding Accountability and Transparency Act (FFATA);
 - j) Name of Federal awarding agency, pass-through entity, and contact information for awarding official of the pass-through entity;
 - k) CFDA Number and Name; the pass-through entity must identify the dollar amount made available under each Federal award and the CFDA number at time of disbursement;
 - l) Identification of whether the award is Research & Development; and
 - m) Indirect cost rate for the Federal award (including if the de minimis rate is charged)
2. All requirements imposed by the pass-through entity on the subrecipient so that the Federal award is used in accordance with Federal statutes, regulations and the terms and conditions of the Federal award;
3. Any additional requirements that the pass-through entity imposes on the subrecipient in order for the pass-through entity to meet its own responsibility to the Federal awarding agency including identification of any required financial and performance reports;
4. The requirement that the subrecipient permit the pass-through entity and auditors to have access to the subrecipient's records and financial statements as necessary for the pass-through entity to meet the requirements; and
5. Appropriate terms and conditions concerning closeout of the subaward.

Assignments and Actions Section A (1-5)	
Assignment	Action
WMD Grant Managers	Step 1: Each funding cycle, Grant Managers populate the specific award information into the previous year's boilerplate, adjusting language with any programmatic changes, and submit the boilerplate to the Finance Division for review.
Finance Division	Step 2: The Office of Record (Contracts Office) reviews and amends boilerplate language as necessary to ensure compliance. The Contracts Office submits the boilerplate to the Assistant Attorney General (AAG).
Attorney	Step 3: The AAG reviews federal and state boilerplate language and approves the boilerplate for use in issuing subawards.

6. If a subrecipient requests to charge indirect costs to their subaward, the subrecipient may use (a) an approved federally recognized indirect cost rate negotiated between the subrecipient and the Federal Government or, if no such rate exists, (b) either a rate negotiated between the pass-through entity and the subrecipient or (c) a de minimis indirect cost rate.

Assignments and Actions Section A (6a)	
Assignment	Action
WMD Grant Managers	Grant Managers obtain the approved indirect cost rate agreement from the subrecipient which includes the negotiated rate and time-period of applicability.

Assignments and Actions Section A (6b)	
Assignment	Action
WMD Grant Managers	Step 1: Grant Managers obtain documentation for the proposed indirect rate and submit to the Finance Division.
Finance Division	Step 2: The Finance Division reviews the documentation and negotiates the rate with the subrecipient. The final rate is shared with the appropriate Grant Managers.

Assignments and Actions Section A (6c)	
Assignment	Action
WMD Grant Managers	Grant Managers document the use of the de minimis indirect rate.

B. Subrecipient Risk Assessment: WMD Grant Managers must evaluate each subrecipient's risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining the appropriate subrecipient monitoring activities described in section (D) of this policy, and may include consideration of such factors as:

1. The subrecipient's prior experience with the same or similar subawards;
2. Whether the subrecipient has new personnel or new or substantially changed systems;

Assignments and Actions Section B (1-2)	
Assignment	Action
WMD Grant Managers	Grant Managers incorporate prior experience, new personnel, and changed systems (applicable to grant management and performance) into program-specific risk assessments as applicable.

3. The results of previous audits including whether the subrecipient receives a Single Audit or program-specific audit and the extent to which the same or similar subaward has been audited as a major program; and
4. The extent and results of Federal awarding agency monitoring (e.g., if the subrecipient also receives Federal awards directly from a Federal awarding agency).

Assignments and Actions Section B (3-4)	
Assignment	Action
WMD Grant Managers	Grant Managers incorporate previous audit and Federal monitoring results, reviewing any findings that may impact grant management and compliance with associated regulations, into program-specific risk assessments. Federal monitoring may include but is not limited to the Improper Payments Elimination and Recovery Improvement Act (IPERIA) and Department of Homeland Security (DHS) and Office of Inspector General (OIG) audit findings.

C. Specific Subaward Conditions: WMD Divisions shall consider imposing specific subaward conditions upon a subrecipient, as described in 2 CFR 200.207, any time during the subaward period and in relation to performance.

Assignments and Actions Section C	
Assignment	Action
WMD Grant Managers	As needed, Grant Managers coordinate with the Finance Division and the AAG to impose specific subaward terms and conditions upon a subrecipient.

D. Subrecipient Monitoring: WMD Divisions must monitor the subrecipients' activities to ensure that the subaward is used for authorized purposes, in compliance with Federal and State statutes, regulations, and the terms and conditions of the subaward; and that the subaward performance goals are achieved. Monitoring of the subrecipient must include:

1. Reviewing financial and performance reports required by the pass-through entity; and
2. Ensuring that the subrecipient takes timely and appropriate action on all deficiencies pertaining to the subaward provided to the subrecipient detected through audits, on-site reviews, and other means.

Assignment and Actions Section D (1-2)	
Assignment	Action
WMD Grant Managers	Grant Managers conduct and document program-specific monitoring.

3. Depending upon the Grant Manager's assessment of program-specific risk posed by the subrecipient, as described in section (B) of this policy, the following monitoring activities may be employed to ensure proper accountability and compliance with program requirements and achievement of performance goals:
 - a) Providing training and technical assistance on program-related matters; and
 - b) Performing on-site reviews of the subrecipient's program operations;

Assignments and Actions Section D (3a-b)	
Assignment	Action
WMD Grant Managers	As needed, Grant Managers provide technical assistance to subrecipients.
Finance Division	As needed, Finance or Contract specialists collaborate with Grant Managers to provide technical assistance to subrecipients.

E. Audit Requirements: WMD Divisions verify that every subrecipient has completed an audit when it is expected that the subrecipient's Federal awards expended during the respective subrecipient's fiscal year equaled or exceeded the threshold set forth in 2 CFR 200.501 Audit Requirements.

Assignments and Actions Section E	
Assignment	Action
WMD Grant Managers	Grant Managers send the Audit Certification Form to the subrecipient with each new subaward agreement.
Finance Division	The Office of Record (Contracts Office) <ul style="list-style-type: none"> • Receives the completed Audit Certification Form from the

	<p>subrecipient and documents the audit has been completed and any findings.</p> <ul style="list-style-type: none"> • Annually requests a new Audit Certification Form from any active subrecipients that have not already submitted one for that fiscal year denoting whether an audit is required to comply with the subaward agreement. Documents any findings. • Notifies the applicable Grant Manager of any findings that are within the CFDA of one of their pass-through subawards,
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4. WMD Divisions must issue a management decision for audit findings pertaining to the Federal award provided to the subrecipient as required by 2 CFR. 200.521.

Assignments and Actions Section E (1)	
Assignment	Action
Finance Division	Step 1: The Finance Division conducts and documents quarterly subrecipient audit reviews and informs WMD Grant Managers of subrecipient audit findings.
WMD Grant Managers	Step 2: Once notified by the Finance Division, Grant Managers complete program specific Management Decision Letters when audit findings are within the CFDA for awards they manage.

- F. **Corrective Actions:** WMD Divisions should consider taking enforcement action against noncompliant subrecipients as described in 2 CFR 200.338.

Assignments and Actions Section F	
Assignment	Action
WMD Grant Managers	As needed, Grant Managers should coordinate with the Finance Division and the AAG to implement subrecipient-specific corrective actions.

- G. **Division Guidelines and Procedure Requirements:** WMD Divisions will identify processes necessary to comply with federal and state regulations and the unique requirements associated with the grant programs they manage and administer. Guidelines and procedures will reflect the intent and specific instructions contained within this policy.