

Statewide Operating Procedure

Owner: Minnesota Management and Budget, Financial Reporting Unit

Number: 0402-03.1

Issued: July 18, 2012

Last Major Revision: N/A

Last Updated: January 23, 2020

Single Audit: Responsibilities Concerning Subrecipients of Federal Financial Assistance

Objective

MMB Statewide Operating Policy 0402-03 outlines the responsibilities of a state agency that provides Federal Funds to a subrecipient to carry out a Federal program. One of these responsibilities is subrecipient monitoring, which is comprised of multiple tasks. This procedure provides action items for only one of these tasks, the task related to reviewing audit reports and issuing management decisions on audit findings.

General Procedures

Step	Action	Responsible Party	Timeline
1.	Prepare and distribute a report of federal funds received by the State of Minnesota and subgranted to subrecipients. The January report shows expenditures for the recently-completed calendar year, whereas the July report shows expenditures for the recently-completed state fiscal year.	MMB Financial Reporting	January and July
2.	Annually analyze subgrants to subrecipients for the purpose of designating cognizant agencies responsible for following up on cross-cutting audit findings. Typically, the state agency providing the most federal funds to a subrecipient is designated as the state cognizant agency. However, MMB designates the Department of Human Services as the state cognizant agency for all counties and the Department of Education as the state cognizant agency for all school districts, regardless of the subgrants provided by these two state agencies.	MMB Financial Reporting	July
3.	Provide a list of designated cognizant agencies to the cognizant agency/subrecipient monitoring contacts at the state agencies.	MMB Financial Reporting	July

Step	Action	Responsible Party	Timeline
4.	State agencies must establish procedures to ensure timely receipt and review of required audit reports and the issuance of management decision on audit findings within six months after receipt of the subrecipient's audit report. The pass-through entity is responsible for making the management decisions for all audit findings that relate to Federal awards it made to subrecipients, except crosscutting audit findings which are the responsibility of the assigned state cognizant agency.	State Agency staff responsible for subrecipient monitoring	Ongoing
5.	Follow the procedures established in step 4. Apply appropriate sanctions to subrecipients, if required.	State Agency staff responsible for subrecipient monitoring	Ongoing
6.	<p>For crosscutting audit findings, the state cognizant agency must follow up with the subrecipient to ensure that it takes appropriate and timely corrective action. Issue a management decision on crosscutting audit findings within six months after receipt of the subrecipient's audit report. Apply appropriate sanctions to the subrecipients, if required.</p> <p>The state cognizant agency is also responsible for making the management decisions for all audit findings that relate to Federal awards it made to subrecipients (see steps 4 and 5), unless the findings meet the definition of a crosscutting audit finding. Crosscutting audit findings are the responsibility of the assigned state cognizant agency.</p>	State Cognizant Agency staff responsible for subrecipient monitoring	Ongoing

Related Policies and Procedures

[MMB Statewide Operating Policy 0402-03](http://mn.gov/mmb-stat/documents/accounting/fin-policies/chapter-4/0402-03-single-audit-subrecipient-policy.docx), Single Audit Responsibilities Concerning Subrecipients of Federal Financial Assistance (<http://mn.gov/mmb-stat/documents/accounting/fin-policies/chapter-4/0402-03-single-audit-subrecipient-policy.docx>)