

## **DHHS POLICIES AND PROCEDURES**

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<b>Section IV:</b>	<b>General Administration</b>
<b>Title:</b>	<b>Subrecipient Monitoring Manual</b>
<b>Chapter:</b>	<b>Activities Allowed or Unallowed</b>
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### **Activities Allowed or Unallowed**

Each federal and state program has specific activities that are allowed or that may be unallowed. An example of a common unallowable activity under state or federal programs would be payments for lobbying activities designed to influence state or federal legislation. Activities allowed or unallowed from each funding source are identified in grant documents, allocation letters, contracts, and state and federal regulations. Divisions must be proactive in taking steps to ensure that their subrecipients are aware of all of the fiscal limitations on the funds that they are receiving. The objective of monitoring activities allowed and unallowed is to provide reasonable assurance that state and federal funds were used only for intended purposes.

For programs listed in the annual state compliance supplements, the compliance supplements specify the criteria for determining allowed and unallowed activities.

#### **Suggested Monitoring Procedures:**

##### ***For subrecipients assessed as low risk:***

1. Review compliance supplements, contract, grant awards, allocation letters, funding authorizations, etc. to identify the types of activities that are either specifically allowed or prohibited by the laws, regulations, and the provisions of contract or grant agreements pertaining to the program and the subrecipient.
2. Review the agency's plan of work for the funding year, if available, to determine if services planned are within those allowable.
3. Review the internal control information to determine if the information indicates that procedures are in place to identify costs and expenditures that are not allowable from state or federal funds.
4. Review the periodic progress reports to determine if activities reported are allowable and are consistent with the current year grant/contract.
5. Review expenditure reports/requests for funds to determine if funding is being requested/reported only for allowable purposes.

##### ***For subrecipients assessed as medium risk:***

In addition to activities outlined above for low risk subrecipients:

1. Request a copy of the agency's cash disbursements journal or general ledger to determine if all expenditure accounts charged to the program appear to relate to allowable activities.
2. Request copies of agency's contracts with other entities, employees and individuals to determine if all services purchased are allowable.

***For subrecipients assessed as high risk:***

In addition to activities outlined above for low and medium risk subrecipients:

1. Observe program activities to determine that activities actually being performed are allowable.
2. Select a random sample of expenditures and trace back from the general ledger to determine if expenditures are for allowable purposes, properly documented, and properly coded in the accounting records.

**Documentation:**

Monitoring Tool/Instrument  
Working Papers  
Summaries  
Monitoring Results Report

*For questions or clarification on any of the information contained in this policy, please contact [Office of the Controller](#). For general questions about department-wide policies and procedures, contact the [DHHS Policy Coordinator](#).*