

29 CFR 99.210

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Code of Federal Regulations > Title 29 Labor > Subtitle A — Office of the Secretary of Labor > Part 99 — Audits of States, Local Governments, and Non-Profit Organizations > Subpart B — Audits

§ 99.210 Subrecipient and vendor determinations.

(a) General. An auditee may be a recipient, a subrecipient, and a vendor. Federal awards expended as a recipient or a subrecipient would be subject to audit under this part. The payments received for goods or services provided as a vendor would not be considered Federal awards. The guidance in paragraphs (b) and (c) of this section should be considered in determining whether payments constitute a Federal award or a payment for goods and services.

(b) Federal award. 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;
- (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.

(c) Payment for goods and services. 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.

(d) Use of judgment in making determination. There may be unusual circumstances or exceptions to the listed characteristics. In making the determination of 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.

(e) For-profit subrecipient. Since this part does not apply to for-profit subrecipients, the pass-through entity is responsible for establishing requirements, as necessary, to ensure compliance by for-profit subrecipients. The contract with the for-profit subrecipient should describe applicable compliance requirements and the for-profit subrecipient's compliance responsibility. Methods to ensure compliance for Federal awards made to for-profit subrecipients may include pre-award audits, monitoring during the contract, and post-award audits.

(f) Compliance responsibility for vendors. In most cases, the auditee's compliance responsibility for vendors is only to ensure that the procurement, receipt, and payment for goods and services comply with laws, regulations, and the provisions of contracts or grant agreements. Program compliance requirements normally do not pass through to vendors. However, the auditee is responsible for ensuring compliance for vendor transactions which are structured such that the vendor is responsible for program compliance or the vendor's records must be reviewed to determine program compliance. Also, when these vendor transactions relate to a major program, the scope of the audit shall include determining whether these transactions are in compliance with laws, regulations, and the provisions of contracts or grant agreements.

Statutory Authority

Authority Note Applicable to 29 CFR Subtit. A, Pt. 99

History

[64 FR 14538, 14544, Mar. 25, 1999]

Annotations

Notes

[EFFECTIVE DATE NOTE:

64 FR 14538, 14544, Mar. 25, 1999, added Part 99, effective Mar. 25, 1999.]

Research References & Practice Aids

Hierarchy Notes:

29 CFR Subtit. A

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