

FP 21: Pass-Through Agency Policy

The County will consider requests that the County serve as a pass-through agency for other organizations. All such requests must first be made to the County Manager and must have the support of a Department Head who will assign a staff member to serve as the Project Administrator/Liaison for the project. With the County Manager's approval, the pass-through grant application request will go through the regular internal approval process and be brought to the Board for a final decision on submitting the grant application.

The purpose of this Pass-Through Policy document is to clarify the responsibilities of the entity that is providing fiscal management, accounting, and reporting services on behalf of one or more participating organizations receiving funding under a grant or other award.

Pass-Through Agreement

The use of a **Memorandum of Understanding / Pass-Through Agreement** is required. This document will clearly identify the responsibilities of both the pass-through agent and the individual grant recipients that are referenced as participating organizations. It should identify conditions where the agreement would be terminated and also the administrative fees for the fiscal agent. **The Pass-Through Agreement** may also be used to identify additional responsibilities such as program management or budget control.

Project Accounting

The Pass-Through Agent is responsible for recording all grant receipts and disbursements. Where appropriate, the fiscal agent should maintain budgets for total program activity and the individual activity for entities participating in the program. The Pass-Through Agent should establish a separate project account for each grant project. All project receipts and disbursements should be recorded in this account.

Reporting

The Pass-Through Agent is responsible for submitting all required reports to the funding organization. The participating organization(s) is responsible for providing the required program and other information to the Pass-Through Agent in a timely manner to allow preparation of the required reports. Reporting responsibilities should be detailed in the **Pass-Through Agreement**.

Disbursing Funds

Generally, the Pass-Through Agent will make all disbursements for the project. All transactions will be recorded in the project account established by the Pass-Through Agent. Three levels of maintaining supporting documentation are allowable under this Pass-Through Agent policy statement. In accordance with the underlying principle of this policy statement, sufficient documentation must be maintained by the Pass-Through Agent to allow the Pass-Through Agent's external auditor to perform the fiscal and compliance audit of the grant award.

Level One Documentation

The Pass-Through Agent will maintain requisitions, purchase orders, invoices, receiving reports, and payment vouchers. Under this most controlled option, the Pass-Through Agent is generally making all purchases for the participating organizations.

Level Two Documentation

The Pass-Through Agent will maintain original requisitions, purchase orders, invoices, receiving reports, and payment vouchers for direct expenditures made by the Pass-Through Agent and will request and maintain from the participating organizations copies of the above expenditure documentation. Under this option, the Pass-Through Agent is making some purchases on behalf of the participating organization and maintaining **level one** documentation for these purchases. The participating organization is also making purchases and submitting copies of all supporting documentation to the Pass-Through Agent.

Level Three Documentation

The Pass-Through Agent will maintain original requisitions, purchase orders, invoices, receiving reports, and payment vouchers for direct expenditures made by the Pass-Through Agent. The Pass-Through Agent will reimburse expenditures made directly by the participating organization(s) only after receipt of a detailed report of expenditures by the participating organization(s). This report must include all detail information on the expenditures, such as purchase order numbers, vendor name, invoice number, payment voucher number, date, etc. In accordance with the underlying principles of this policy, these disbursements must be adequately documented so that the Pass-Through Agent's external auditor can audit the grant. In this situation, the external auditor may request the Pass-Through Agent to obtain from the participating organization(s) copies of the supporting expenditure documentation needed for their audit testing. The Pass-Through Agent may periodically also ask for such documentation to satisfy their responsibility as the Pass-Through Agent.

Inventory Records

The Pass-Through Agent is responsible for maintaining fixed asset records for any items exceeding the capitalization level of the Pass-Through Agent. In addition, the Pass-Through Agent is responsible for maintaining inventory records for any items required by the grant agreement. When grant assets are located at a participating organization(s), this location should be identified on the Pass-Through Agent's inventory records. Verification of assets according to the Pass-Through Agent's periodic inventory procedures should include those assets acquired as Pass-Through Agents.

If the Pass-Through Agent adopts a higher capitalization (or fixed asset inventory) level than adopted for the participating organization(s), but a level that still complies with the grant requirements, this fact should be noted in the **Pass-Through Agreement**. The entity that has physical custody of the fixed asset has the responsibility for providing insurance coverage if covered is desired.

The financial reporting of these assets under the Governmental Accounting Standards Board Statement Number 34 (GASBS #34), or any subsequent accounting principle, should be covered in the Pass-Through Agreement.