

Subrecipient Monitoring Of Federal Grants

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Learning Objectives

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- Understand the difference between a contractor and a subrecipient.
- Understand the subrecipient risk assessment process.
- Understand the technical assistance, financial and management oversight process.
- Learn 2 CFR Chapter I, Chapter II, Part 200, et al. Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards references to subrecipient management

Agenda:

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1) Terms You Should Know

2) OMB Circular A133 & Compliance Supplement

- a) Internal Controls
- b) Pass-through entity responsibilities

3) Monitoring Activities throughout the Lifecycle

- a) At the proposal stage
- b) Prior to subaward issuance
- c) During-the-award monitoring
- d) Closeout

Subrecipients v. Contractors

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- The substance of the relationship is the most important factor
- The relationship should determine the mechanism
Subaward v. PO

Subrecipient	Contractor
Programmatic decision-making responsibilities	Provides goods & services as part of normal business
Performance is measured against program objectives	Goods & services are ancillary to programmatic activities
Responsible for federal compliance requirements	Operates in a competitive environment
Mechanism = Subaward	Mechanism = P.O.

Subrecipient Monitoring

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- This compliance requirement establishes that any non-Federal recipient of Federal assistance that passes that assistance, whether in part or in total, to another recipient (known as **pass-through entities and subrecipients**, respectively) is responsible to monitor the Federal assistance activities of that subrecipient, as well as assure that they are both complying with laws and regulations. This requirement is based on the fact that they are both equally responsible for Federal funds received. Subrecipient monitoring may consist of site visits, regular contact, interviews, meetings and examinations of the subrecipient, as well as requiring that the subrecipient be subject to an annual single audit.

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Audit v. Monitoring Visit

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	Audit	Monitoring Visit
Staffing	Public Accountant or Government Accounting Agency	Designated program & admin. staff or third parties
Purpose	Assess/Report	Assess/Advise/Assist
Conduct	IAW generally accepted government auditing standards (GAGAS)	IAW program guidance and locally developed requirements
Scope	Entirety of auditee's operations that administer Federal funds	As determined by prime award recipients
Complexity/Time	Extensive – weeks - months	As needed – days/week
Exit Report	Formal report with GAGAS specified structure	As determined by prime award recipients

Monitoring Responsibilities

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- OMB Circular A-133; Audits of States, Local Governments and Non-profit Organizations imposes monitoring responsibilities on:
 - Your institution (Pass Through Entity)
 - The Subrecipient
- Instructions for Auditors on how to audit are in A-133 Compliance Supplement:
http://www.whitehouse.gov/omb/circulars/a133_compliance_supplement_2013
 - See Part 3, Section M. Subrecipient Monitoring

A-133 _ .400(d)

Audit Objectives under A-133

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- **Test for internal controls**
 - Effectiveness, reliability and compliance
 - Review of monitoring policies and procedures
- **Test award documents**
 - Properly identified information
 - Approved only allowable activities
- **Test for monitoring activities**
- **Test for subrecipient audit documents**
 - Complete & up-to-date
 - Management decision issued on audit reports
 - Follow-up on any corrective action

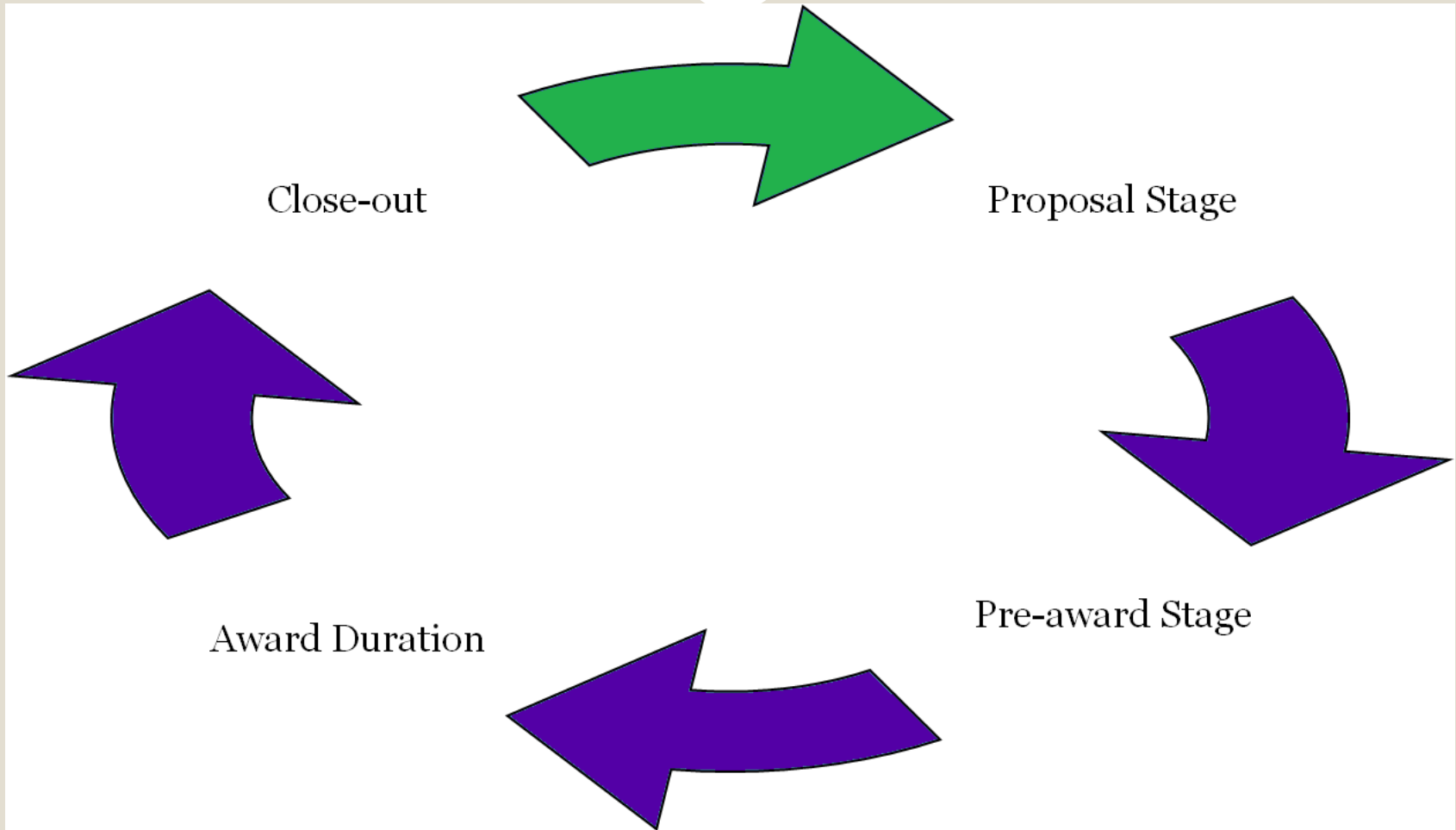
Pass-through Entity is Responsible for:

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- Award Identification
- During-the-Award Monitoring
- Subrecipient Audits
- Pass-Through Entity Impact

Subrecipient Monitoring

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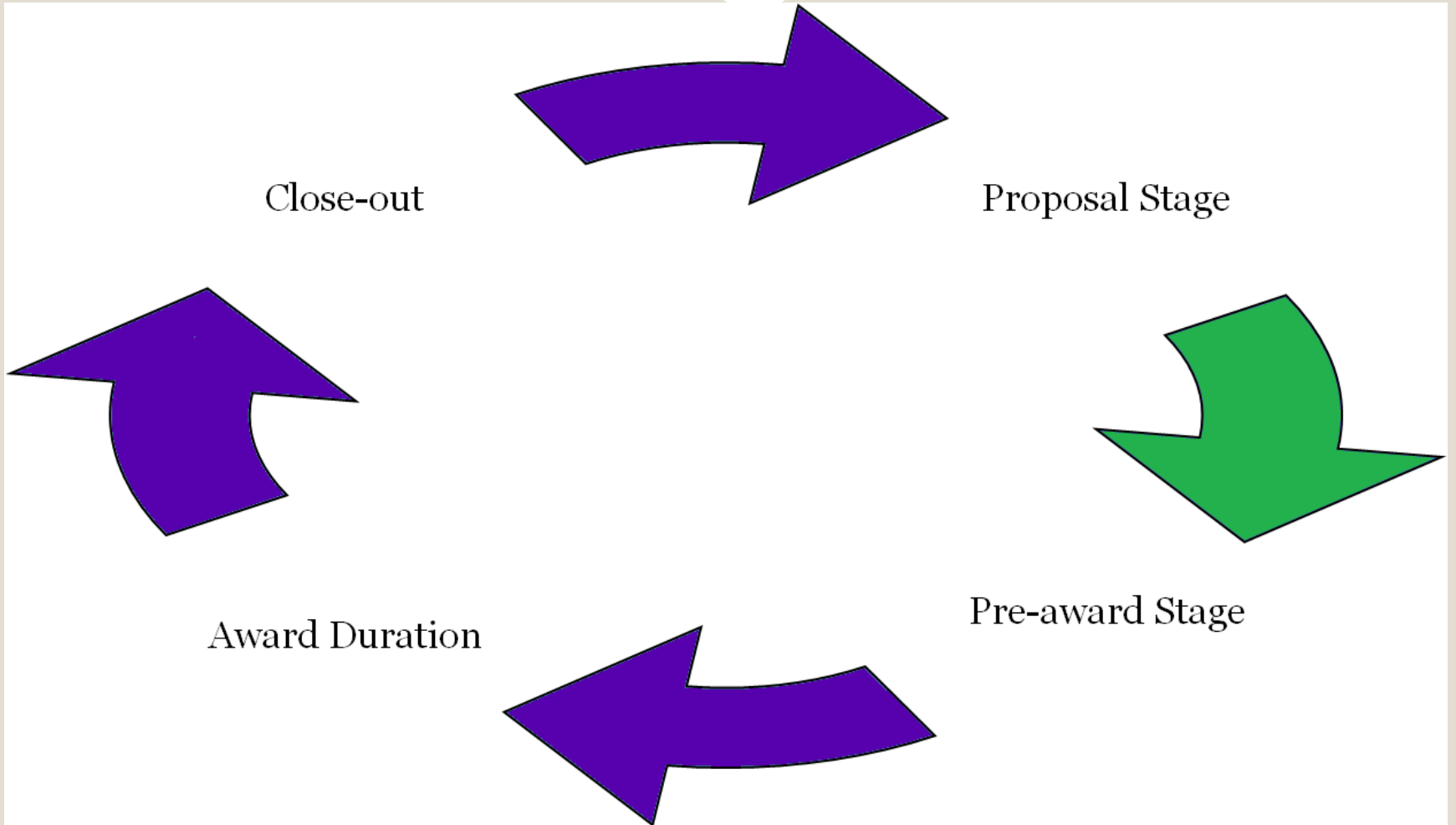
Proposal Stage

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- **Subrecipient's Clear Statement of Work and Budget**
- **Authorized Subrecipient Endorsement**
- **Identification of Appropriate Contacts**
- **Other documentation as appropriate**

Subrecipient Monitoring

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Pre-Award Activities

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- Review Prime Award for changes
- Communicate with Program Representatives
- Conduct Subrecipient Risk Analysis
- Validate/Review Subaward Methodology

Reliability

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- **Past performance of a subrecipient and financial reliability is a factor to review when issuing the subaward**
 - For new subs with no prior history, additional monitoring may be required.
- **Verify with federal databases to ensure subrecipient is not debarred, suspended or a specially designated national**

Potential Indicators of High-Risk

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- Program Complexity
- Percentage passed-through
- Dollar value of the award
 - Small
 - Large
- History of non-compliance
- New personnel or systems

Identifying Risk: Review Audit Reports

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- Federal Audit Clearinghouse for A-133 (aka Harvester)
<http://harvester.census.gov/sac/>
- Non-A-133 entities
 - Consider requesting completion of an Audit questionnaire
 - Ask for a copy of the most recent financial statements of the organization
- For-profit entities
 - DCAA-cognizant or ONR Resident Representative can review for you

High(er) Risk

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- Subrecipient has audit findings,

Interpreting OMB Circular A-133,
sections ____ .400(d)(5) and ____ .405

<http://www.whitehouse.gov/omb/circulars/a133/a133.pdf>

- Do findings “relate to” your subaward with the Subrecipient, or to the same CFDA number?
- Do findings “relate to” the Research and Development Cluster of funding? Variation in Prime sensitivities, policies.
- Write management decision letter

High(er) Risk

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- **Subrecipient has audit findings (cont.)**
 - Review A-133 audit report for detail of findings and corrective action plan:
 - A-21/A-122 Allowable Costs
 - Time and Effort Reporting (applicable to Universities)
 - Certification of Effort (applicable to Universities)
 - Matching/Cost-Sharing
 - Cost Transfers
 - Late Technical, Financial Reports
 - Property and Equipment Inventories

High(er) Risk

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- **Subrecipient has audit findings (cont.)**
 - **Implement Corrective Action Plan**
 - **Require progress reports from subrecipient on corrective action plan and yet-to-be developed internal controls at stipulated intervals**
 - **Depending upon finding and nature of subaward research, develop special terms and conditions in subaward agreement**

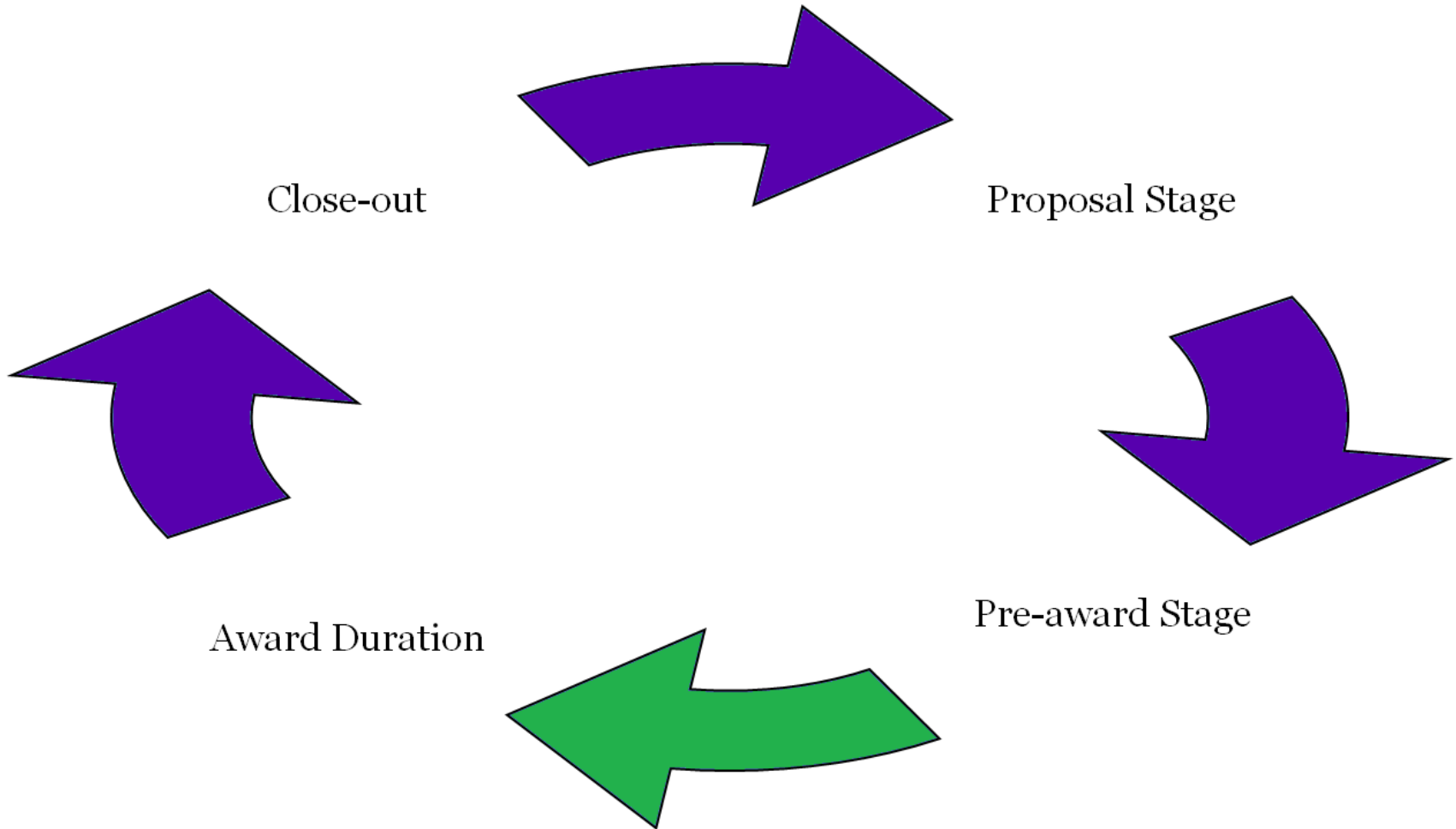
Responses to Risk

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- **Corrective Action Plan**
- **Discuss need for special monitoring with Program personnel.**
 - Ask for extra contact between Program leads
 - Ask for more frequent technical reporting
- **Add more detailed or frequent invoicing requirements**
 - Add requirement for expenditure backup materials
- **Tie receipt of technical progress reports or other deliverables to payments**
- **Require on-site monitoring (technical and financial)**
- **Add more stringent termination or stop-work language for failure to comply with requirements**

Subrecipient Monitoring

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During-the-Award Monitoring

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- Program progress
- Award modifications occur as needed
- Subrecipient is submitting acceptable invoices on time
- Required prior approvals are obtained
- Annual review of audit status or fulfillment of corrective action plan is satisfactory
 - Federal Audit Clearinghouse for A-133 (aka Harvester)
 - <http://harvester.census.gov/sac/>

Monitoring Activities

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- Normally occur throughout the subaward
 - Reporting
 - Site Visits
 - Regular Contact
 - Desk Audits
- Shared responsibility between Prime program personnel

Site Visits

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- Project team visits site of the subrecipient
- Best when programmatic and administrative/financial team can go together.
- Program team reviews progress, facilities, region-specific activities
- Administrative/financial team looks at systems, tests a small number of transactions
- Challenges: language, cost, limited experience of past reviews

Desk Audits

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- **Select transactions for review**
 - Keep number manageable
- **Request full documentation on those transactions**
 - Note subrecipient's ability to respond in an organized and timely fashion
- **Evaluate documentation provided**
 - Would it meet or exceed the standards at your institution?
- **Provide feedback**
 - Subs are often essential to the project. Be prepared to work with the sub to get them to meet award needs

Monitoring Subrecipient Expenditures

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- Ensure invoices are submitted in accordance with subaward requirements
- Ensure that duplicate costs or invoices have not been submitted
- Ensure invoices only contain expenses that are
 - Allowable (are there any prior approvals required?)
 - Allocable
 - Reasonable
- Verify costs are incurred within the period of performance
- Ensure expenses are aligned with technical progress
- Verify cost sharing is appropriately reflected if required

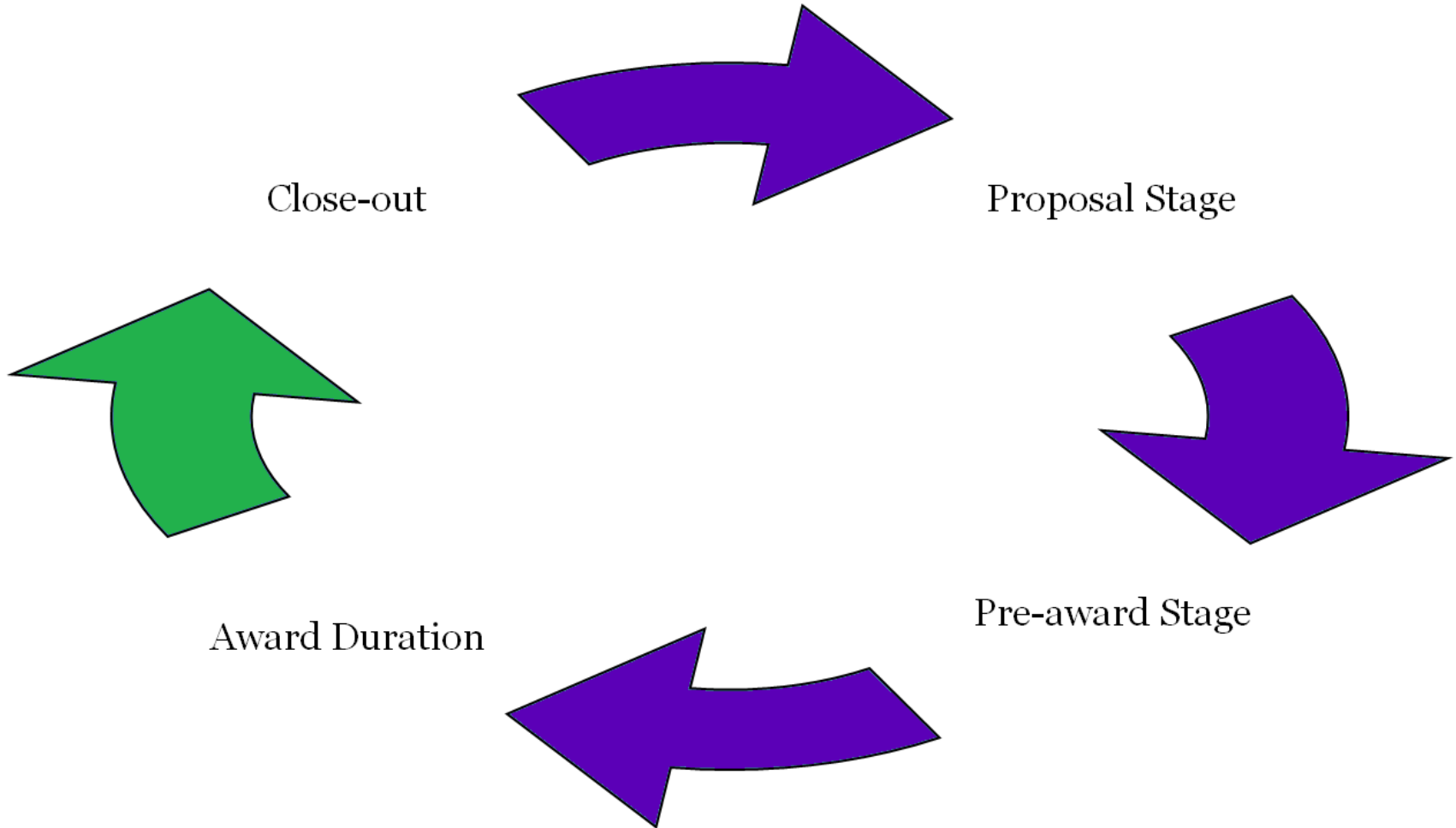
Corrective Action Plans

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- **Subrecipient:**
 - Submits plan for correcting audit deficiencies to the pass-through entity, with specific activities and due dates
- **Pass-through entity**
 - Reviews adequacy of their proposed plan
 - Issues management decision
- **Subrecipient:**
 - Conforms with steps listed in the corrective action plan
- **Pass-through entity:**
 - Monitor's subrecipient's progress to ensure full compliance with steps and dates
 - Take appropriate follow-up action (including sanctions) in cases of inability or unwillingness to come into compliance

Subrecipient Monitoring

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Subaward Closeout

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- **Verify fulfillment of any cost-sharing requirements**
- **Verify receipt of invoice marked “Final”**
- **Obtain all final reports**
 - Programmatic
 - Financial
 - Property
 - Others per award terms
- **Obtain signed Refunds, Rebates, Credits Form (if necessary)**
- **Audit subaward (if necessary)**
- **Verify that Subrecipient has filed an audit report (or equivalent) through subaward end date**
- **Adjust Pass-through entity’s records if necessary to reflect changes in subaward costs**

Additional Resources

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http://www.whitehouse.gov/omb/circulars/a133_compliance_supplement_2013

www.thefdp.edu

http://www.whitehouse.gov/omb/circulars_index-education/

www.sam.gov

www.ora.umd.edu

www.umbc.edu/research/OSP

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Questions/Comments!