



RUBINO & COMPANY
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Developing a Risk-Based Sub-Recipient Monitoring Program



**Governor's Grants
Conference
October 29, 2018**

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Sources

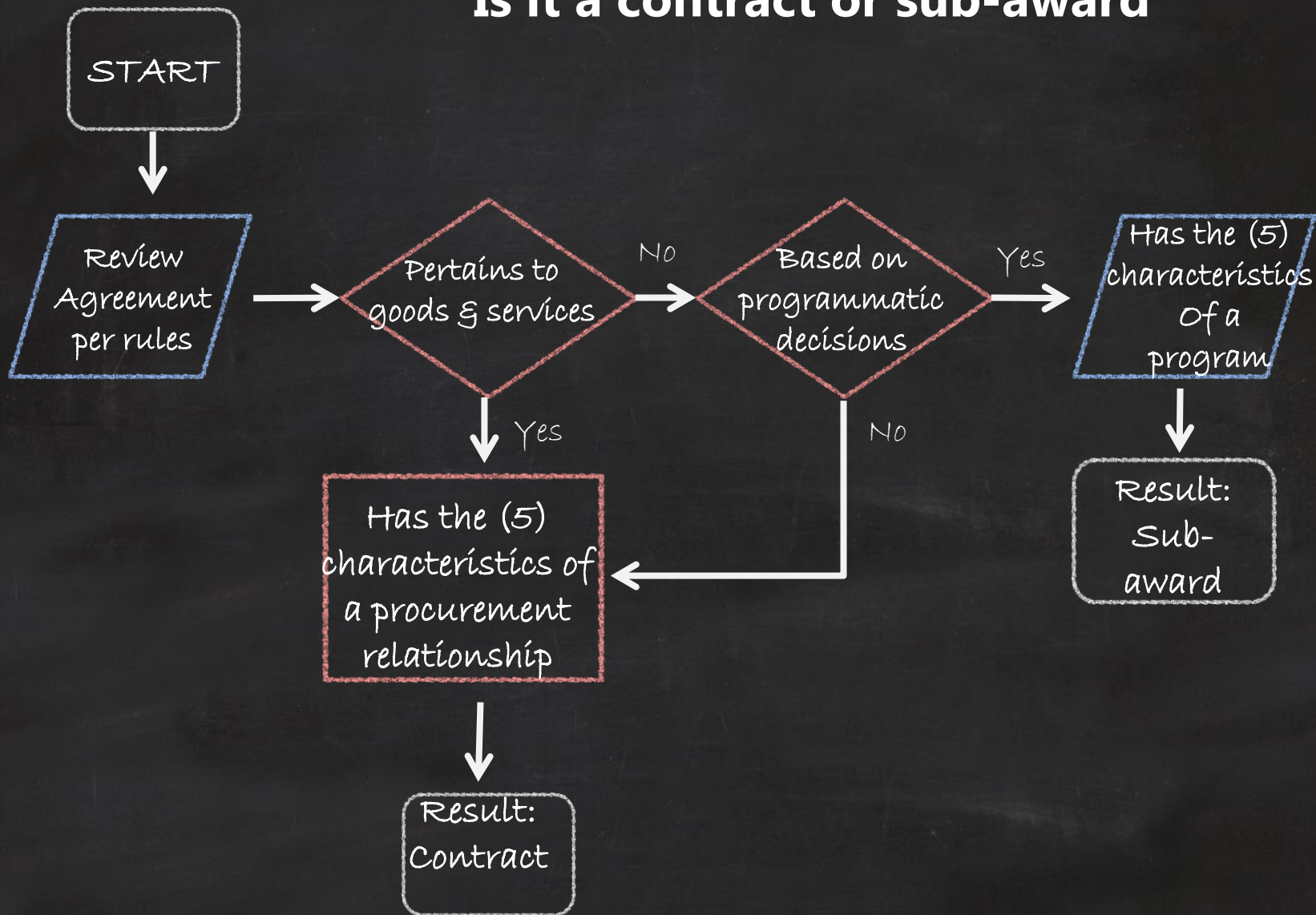
- ❑ 2 CFR 200 Uniform Administrative, Cost Principles & Audit Requirements for Federal Awards referred to as the “Uniform Guidance”; also 45 CFR 75 for HHS Awards
- ❑ Office of AIDS Administration – Budget Cover Sheet



Sub-Recipient Monitoring Procedures

200.330 / 75.351 & 200.331 / 75.352
Requirements for Pass-Through Entities
(PTE)

Determination: Is it a contract or sub-award





Contract

Procurement of Goods & Services

Normally operates in a competitive environment.

Provides goods & services within normal business operations

Similar goods & services to several different buyers

Provides goods & services ancillary to operation of a Federal award.

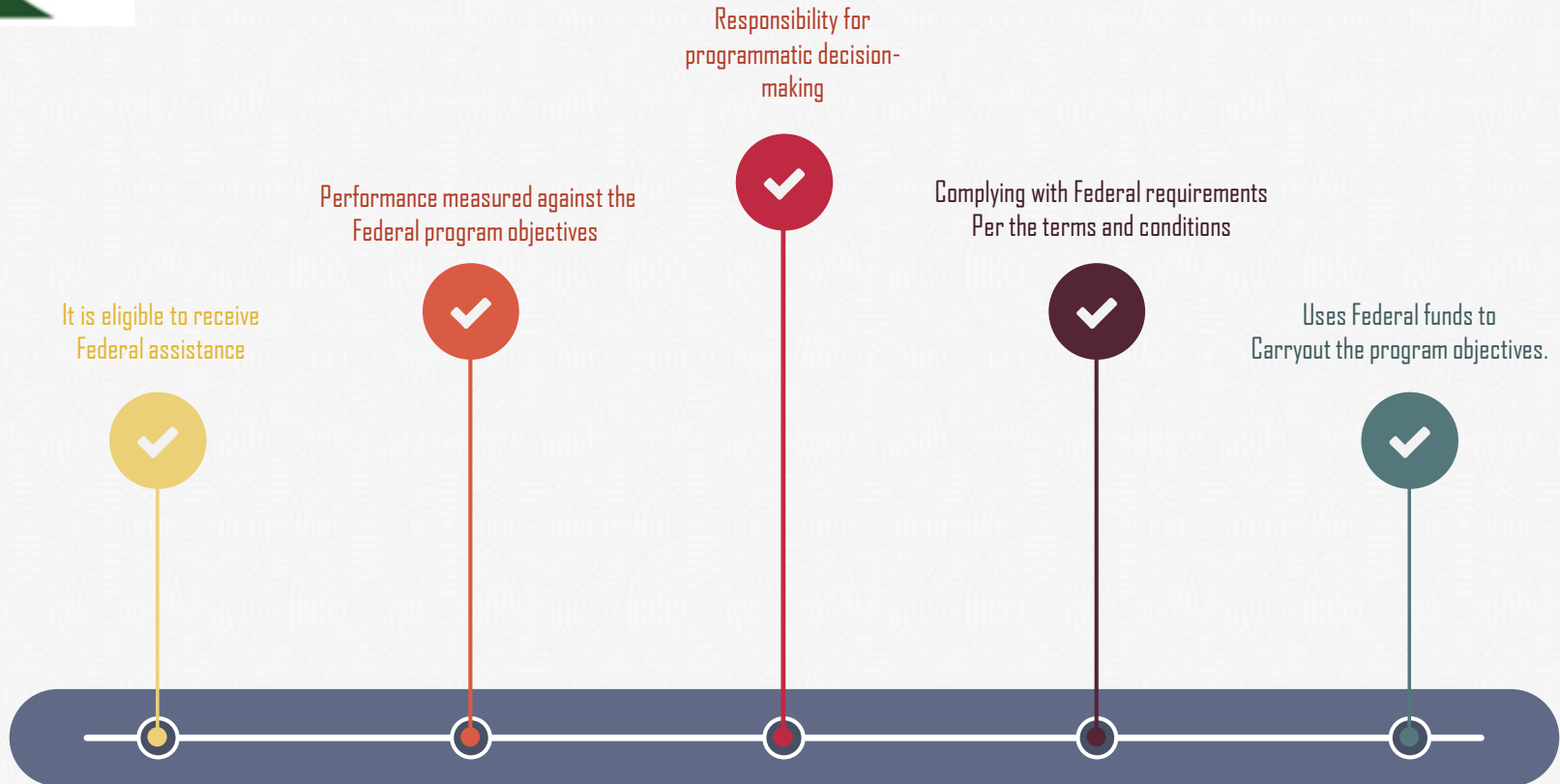
Not to subject to the compliance Requirement of a Federal program.

Per the Uniform Guidance 2 CFR 200.330(b). A contract is for the purpose of obtaining goods and services for an organization's own needs and creates a procurement relationship with the contractor.



Sub-Award

Carrying Out a Portion of Program



Per the Uniform Guidance 2 CFR 200.330(a). A sub-recipient award is for the purpose of carrying out a portion of a Federal award and creates Federal assistance relationship with the sub-recipient.



What about Indirect Rates Between Prime/State & Sub?



Sub-Recipient Monitoring 200.331

- The sub-award agreement must include:
 1. An approved NICRA negotiated rate
 2. Between PTE and sub,
 3. Or de-minimis rate of 10% between PTE and sub-recipient





Uniform Guidance 2 CFR 200

COFAR FAQ Update: (8/29/14) FAQ.331-5

- There is no requirement to have an indirect rate.
- Claiming reimbursement for indirect costs is never mandatory. *However, once you submit annual ICRPs for a NICRA, they're required 6 mos after year-end.*
- COFAR recognizes
 - There are some entities that are able to charge 100% of their cost direct and so there is no need for an indirect rate.
 - A non-Federal entities may conclude that the amount of indirect cost they might recover may be too immaterial to justify the effort to obtain a negotiated indirect rate.



Uniform Guidance 2 CFR 200

COFAR FAQ Update: (8/29/14)

- What if state / PTE provides to a sub-recipient both Federal & non-Federal funds, does the indirect rate application apply only to Federal funds or total funds? [FAQ.331-1](#)
 - It would only apply to the Federal funds and not to state funds per terms and conditions of the award
- Are there no limits on the layers of multi-tier sub-recipients with the application of indirect cost rates such as from state to city, city to nonprofit, nonprofit to another nonprofit?
 - There are no limits in the new rules, but award terms could place a limit per [FAQ.331-2](#)



Uniform Guidance 2 CFR 200

Indirect Rates & Subs **COFAR FAQ: (11/26/14)**

- FAQ.331-3 Delayed Federal funds
- If temporarily using state funds while waiting for Federal budget/funds to be approved, must the state reimburse sub-recipients for their indirect costs as directed in the Uniform Guidance?
- **YES, because costs ultimately charged to a Federal award must comply with the terms & conditions of the Federal award, including the Uniform Guidance.**



Uniform Guidance 2 CFR 200

COFAR FAQ Update: (8/29/14)

- States often blend several Federal funding streams to reimburse nonprofit service providers. Some of the funding streams may have indirect rate caps or no indirect limitations. [FAQ.331-4](#)
 - Each “funding stream” or Federal award will have its unique terms and conditions to follow.
 - Each award has its unique limitations on indirect cost or rates, or no restrictions which states and other PTEs must follow.



Uniform Guidance 2 CFR 200

Indirect Rates & Subs **COFAR FAQ (11/26/14)**

- States often blend several Federal funding streams to reimburse nonprofit service providers. Some of the funding streams may have indirect rate caps or no indirect limitations. **FAQ.331-4**
 - FAQ (11/26/14) If a NFE wishes to blend funds from multiple Federal awards, & apply only one set of terms and conditions to a Federal award:
 - **The Terms and Conditions of that arrangement must be agreed to in advance by all participating Federal agencies via a Prior Written Approval**



Uniform Guidance 2 CFR 200

COFAR FAQ Update: (8/29/14) FAQ.331-6

- PTE's Obligation re. Indirect Rate Negotiation
 - If a sub has a NICRA, the PTE must honor the NICRA
- PTE's with subs that don't have a NICRA
 - The PTE has the option to negotiate an indirect rate with a sub, or
 - The PTE **cannot offer a de minimis indirect rate lower than 10%**

De Minimus Rate must be 10%



Uniform Guidance 2 CFR 200

COFAR FAQ Update: (8/29/14) FAQ.331-7

- What happens if your PTE does not honor the NICRA rate of the sub?
- Under 200.331, the PTE must use the negotiated indirect rate of the sub.
- If not, there are remedies that a Federal awarding agency can sanction the PTE under § 200.338 through § 200.342.
- Report the matter to the agency IG overseeing your Federal award.
- Make sure the sub-award agreement stipulates the use of your NICRA currently in effect.



Regulatory & Best Practices: Sub-Award Agreement



Uniform Guidance 2 CFR 200

COFAR FAQ Update: (8/29/14) .23-2

- If PTE calls a sub-award a “contract” it must treat it as a sub-award per **200.330 – Sub-Recipient and Contractor Determinations**
- Likewise if a PTE has a contract and calls a “subcontract” or a “vendor agreement” it must treat it as a “contract” per **200.330**



Sub-Recipient Monitoring 200.331

- Federal award identification to subrecipient:
 - CFDA title and Federal Award Identification No.
 - **Unique Entity Identifier** association w/sub's name
 - Award name and number
 - Award year
 - Name of award agency
 - Flow down clauses
 - Total amount of Federal Award
 - Other information such as indirect rate



Sub-Recipient Monitoring 200.331

- The sub-award agreement must include:
 - All requirements on PTE is imposed on the sub-recipient so that Federal award complies with Federal regulations, terms & conditions
 - Any additional requirements PTE imposes on sub-recipient to meet its own responsibility to the Federal awarding agency



Sub-Recipient Monitoring 200.331

- The sub-award agreement must include:
 - Terms and conditions for closeout of sub-award
 - Permit PTE and auditors to have access to their records and financial statements





Importance of an Agreement [BP]

- First-line of Defense w/SRE*
- Control in managing SRE: ensure compliance
- Establish specific criteria for RfR* / invoice
- What do you do with large SRE? University
 - In the RFA, Prime states this is a federal award and executing RFA documents = compliance
 - Sub-award agreement states it is a federal award and execution of agreement = compliance
- ❖ SRE = Sub-Recipient Entity. RfR = Request for Reimbursement



Sub-Award Agreement [BP]

- ❑ Period of performance
- ❑ Level of authorized funding from budget
- ❑ Cost, billing and payment (advances or none)
- ❑ Records, recordkeeping and Single Audits
- ❑ Key personnel
- ❑ Subcontracting and assignment consent
- ❑ Termination and disputes

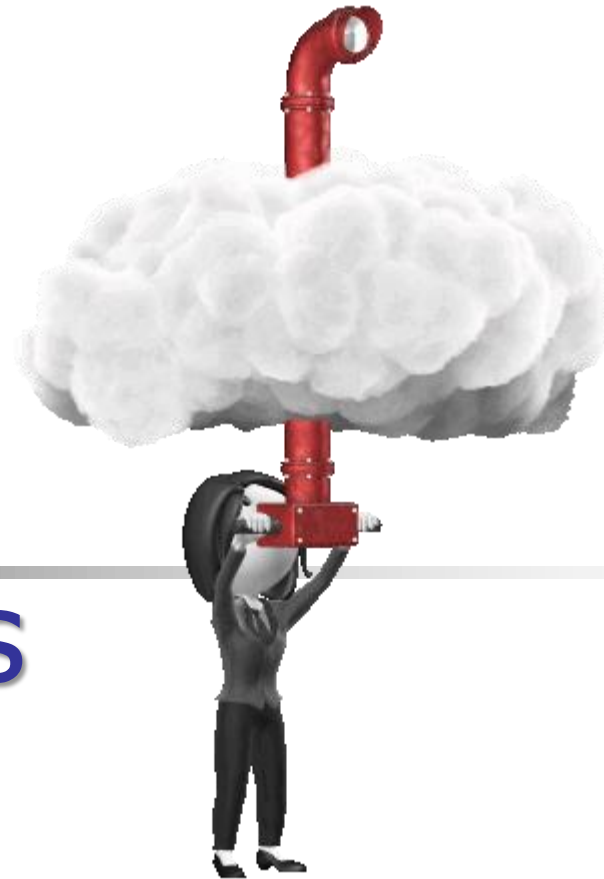


Sub-Award Agreement [BP]

- ❑ Award type: **cost reimbursable v. fixed award**
- ❑ Requirements imposed by law or regulation, conditions clauses
- ❑ SOW, time-phased milestones / performance plan
- ❑ Sample forms (for consistency): timesheet, travel authorization, expense reimbursement report
- ❑ **Budget line items and budget narrative to attain budget control over SRE's spending**



Monitoring Sub-Awards





Sample Budget

Personnel: The following employees are required to execute the proposed project	Employee Name	Base salary	# of FTEs	December 2010 - March 2011	March 2011 - June 2011	July 2011 - June 2012	Total
CMO Leadership Team							
	CEO	\$100,000	1	\$33,333		\$100,000	\$133,333
	CAO/Principal	\$100,000	1	\$33,333		\$100,000	\$133,333
	COO	\$90,000	1	\$26,667		\$90,000	\$116,667
CMO Staff							
	Development Director	\$75,000	1			\$75,000	\$75,000
	Director of Student Recruitment	\$40,000	1		\$13,333		\$13,333
School-Based Leadership Team							
	Director of Finance and Operation	\$60,000	1			\$60,000	\$60,000
	SPED Director	\$60,000	1			\$60,000	\$60,000
	DCI (2)	\$60,000	1			\$60,000	\$60,000
	AP (2)	\$70,000	1			\$70,000	\$70,000
	Lead Teacher	\$49,000	1			\$49,000	\$49,000
	Director of Student Support	\$60,000	1			\$60,000	\$60,000
	TOTAL PERSONNEL COSTS			\$93,333	\$13,333	\$724,000	\$830,666
	BENEFITS (20%)			\$18,667	\$2,667	\$144,800	\$166,133
	MATERIALS AND SUPPLIES			\$3,200	\$0	\$0	\$3,200
	TOTAL COST			\$115,200	\$16,000	\$868,800	\$1,000,000



Sample Reimbursement 1 of 2

Employee Name	Position	Federal Program	Payroll Date	Salary			Benefits			Group Ins. (once a month)	Total
				Hourly rate of Pay	Hours Worked	Hrs Worked*Hrly	Soc. Security	Medicare	Retirement & Workmans Compensation		
CAO/School Principal	i3 Grant	2/15/2012	\$ 48.08	86.67	\$ 4,166.66	\$ 258.33	\$ 60.41		\$ 17.62		
			2/29/2012	\$ 48.08	86.67	\$ 4,166.66	\$ 258.33	\$ 60.41		\$ 388.82	
				\$ -			\$ -	\$ -	\$ -		
				\$ -			\$ -	\$ -	\$ -		
							\$ 8,333.32	\$ 516.66	\$ 120.82	\$ -	\$ 406.44
Assistant Principal	i3 Grant	2/15/2012	\$ 33.65	86.67	\$ 2,916.66	\$ 170.41	\$ 39.84	\$ 116.66	\$ 24.12		
			2/29/2012	\$ 33.65	86.67	\$ 2,916.66	\$ 170.41	\$ 39.84	\$ 116.67	\$ 472.88	
				\$ -							
				\$ -				\$ -		\$ -	
							\$ 5,833.32	\$ 340.82	\$ 79.68	\$ 233.33	\$ 497.00
Chief Executive Officer	i3 Grant	2/15/2012	\$ 48.08	86.67	\$ 4,166.66	\$ 249.80	\$ 58.42	\$ 166.67	\$ 18.12		
			2/29/2012	\$ 48.08	86.67	\$ 4,166.66	\$ 249.80	\$ 58.42	\$ 166.67	\$ 457.62	
							\$ 8,333.32	\$ 499.60	\$ 116.84	\$ 333.34	\$ 475.74
Chief Operating Officer	i3 Grant	2/15/2012	\$ 43.27	86.67	\$ 3,750.00	\$ 213.85	\$ 50.01	\$ 150.00	\$ 18.12		
			2/29/2012	\$ 43.27	86.67	\$ 3,750.00	\$ 213.85	\$ 50.01	\$ 150.00	\$ 539.26	
				\$ -			\$ -	\$ -	\$ -		
							\$ 7,500.00	\$ 427.70	\$ 100.02	\$ 300.00	\$ 557.38



Sample Reimbursement 2 of 2

Employee Name	Position	Federal Program	Payroll Date	Salary			Benefits				Group Ins. (once a month)	Total
				Hourly rate of Pay	Hours Worked	Hrs Worked*Hrly	Soc. Security	Medicare	Retirement & Workmans Compensation			
Director of Student Support	i3 Grant		2/15/2012	\$ 26.44	86.67	\$ 2,291.66	\$ 142.08	\$ 33.23	\$ 91.66	\$ 21.12		
			2/29/2012	\$ 26.44	86.67	\$ 2,291.66	\$ 142.08	\$ 33.23	\$ 91.66	\$ 388.82		
						\$ -	\$ -	\$ -	\$ -	\$ -		
						\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
						\$ 4,583.32	\$ 284.16	\$ 66.46	\$ 183.32	\$ 409.94	\$ 5,527.20	
Lead Teacher	i3 Grant		2/15/2012	\$ 27.40	86.67	\$ 2,375.00	\$ 147.25	\$ 34.44	\$ 95.00	\$ 21.52		
			2/29/2012	\$ 33.17	86.67	\$ 2,875.00	\$ 178.25	\$ 41.69	\$ 115.00	\$ 388.82		
						\$ -	\$ -	\$ -	\$ -	\$ -		
						\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
						\$ 5,250.00	\$ 325.50	\$ 76.13	\$ 210.00	\$ 410.34	\$ 6,271.97	
Director of Development	i3 Grant		2/15/2012	\$ 38.46	86.67	\$ 3,333.33	\$ 206.66	\$ 48.33	\$ 133.33	\$ 26.12		
			2/29/2012	\$ 38.46	86.67	\$ 3,333.33	\$ 206.66	\$ 48.33	\$ 133.33	\$ 388.82		
						\$ -	\$ -	\$ -	\$ -	\$ -		
						\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
						\$ 6,666.66	\$ 413.32	\$ 96.67	\$ 266.66	\$ 414.94	\$ 7,858.25	
										Grand Total		
				Totals		\$ 64,041.60	\$ 3,880.63	\$ 907.49	\$ 2,228.31	\$ 4,479.40	\$ 75,537.43	
										\$ 75,537.43		
										Salary	\$ 64,041.60	
										Fringe	\$ 11,495.83	
										Total	\$ 75,537.43	

Vendor Drawdown Request Cover Sheet

DATE OF SUBMISSION _____ **FOR TIME PERIOD:** _____ 2012

Vendor Name:	Billing Contact: Name: Phone: Email:
Submitted expense (vendors must attach an invoice):	Required back-up documentation:
<input type="checkbox"/> Salaries Amount Requested: \$64,041.60	<input type="checkbox"/> Invoice-spreadsheet detailing employee name, time period salaries cover, hours worked, Amounts incurred
<input type="checkbox"/> Fringe Benefits Amount Requested: \$11,495.83	<input type="checkbox"/>
<input type="checkbox"/> <u>Travel</u> (based on what is in approved budget/contract) Amount Requested: \$ _____	<input type="checkbox"/> Details of charges including employee name, purpose of trip, type of expense, date of expense <input type="checkbox"/> Copies of paid invoices
<input type="checkbox"/> <u>Supplies</u> (based on what is in approved budget/contract) Amount Requested: \$ _____	<input type="checkbox"/> Copies of paid invoices
Total Amount Requested: \$75,537.43	
<input type="checkbox"/> Requested amount is correct and in accordance with approved sub grant budget	
<input type="checkbox"/> Sufficient detail is provided to permit identification of cost (itemized)	
<input type="checkbox"/> Expenditures are in compliance with applicable laws, federal regulations and sponsored guidelines	
<input type="checkbox"/> Cover Sheet includes dates of reimbursements within subcontract period	
By signing below vendor acknowledges the above.	
_____ Signature of billing contact	



Sub-Recipient Monitoring 200.331

- Evaluate each sub-recipient's risk of non-compliance w/Federal regs, terms & conditions in order to determine the appropriate sub-recipient monitoring considering such factors as:
 - The sub-recipient's prior experience with sub-awards
 - Results of previous audits including Single Audit
 - Whether sub-recipient has new personnel (training) and new or substantially changed systems
 - The extent of Federal awarding agency monitoring, if the sub-recipient has direct awards with agencies
 - Consider adding specific conditions per 200.207



Sub-Recipient Monitoring 200.331

- Monitor the sub-recipient's activities to ensure the sub-award is used for authorized purposes.
- PTE monitoring must include:
 - Reviewing financial and programmatic reports
 - Follow-up, ensuring sub-recipient takes timely and appropriate action on all deficiencies pertaining to the Federal sub-award detected from audits and on-site reviews
 - Issue management decision on audit findings from the PTE to the sub-recipient



Sub-Recipient Monitoring 200.331

- Based on the PTE's assessment of risk posed by the sub-recipient, consider using these monitoring tools
- To ensure proper accountability; compliance with program requirements; achievement of performance goals:
 - Provide training and technical assistance on program-related matters
 - Perform on-site reviews of program operations
 - Arrange for agreed-upon-procedures engagements per 200.425



Sub-Recipient Monitoring 200.331

- Verify sub-recipient had a Single Audit per Subpart F when they have expended or exceeded the threshold per 200.501
- Consider whether the results of audits, on-site reviews or other monitoring indicate conditions that necessitate adjustments to PTE own records
- Consider taking enforcement action against non-compliant sub-recipients per 200.338 remedies

Subpart C Pre-Award Conditions

200.207 Expanded


Specific Conditions

- Based on risk posed by applicants, or history of non-compliance with terms of award or poor performance
- Impose specific award conditions
 - Payments on cost reimbursable basis vs advance payments
 - Withhold authority to proceed to next phase until proof of acceptable performance
 - Require additional detailed reports
 - Require additional project monitoring

Subpart C Pre-Award Conditions

200.207 Expanded

Specific Conditions

- 
- Impose specific award conditions
 - Require NFE to obtain technical or management assistance
 - Establishing additional prior approvals
 - Notify the NFE regarding
 - The nature of additional conditions
 - Reason why for additional requirements
 - How to remove additional requirements
 - Time allowed for completing actions
 - Method for reconsideration of special conditions
 - Once conditions met, promptly removed



Risk-Based Site Visit Testing





Risk-Based Monitoring

- Monitoring Activities
 - Reporting involves the receipt and review of financial and performance reports, correspond.
 - Regular contact involves on-going, interactive communication with SRE to include appropriate inquiries and feedback regarding all facets of financial and program activities
 - Site visits performed at SRE's facility; to perform thorough review of financial and programmatic records and observe operations



Risk-Based Monitoring

- Risk means potential for non-compliance
 - Result in non-performance of a milestone
 - Inability to complete work on time
 - Misuse or mismanagement of federal funds
 - Violation of contract terms
 - Not adhering to regulatory requirements



Risk-Based Monitoring

- Risk Assessment Matrix (see form A)
 - Dollar value of sub-award
 - Percentage of total awards
 - Program complexity
 - Results from initial self assessment survey
 - Fixed priced contract v. cost reimbursable grant
 - Experience with subrecipient
 - Evidence of trained personnel
 - Timely reports and responses



Risk-Based Monitoring

- Risk Assessment Matrix (RAM) to score risk
 - Use the RAM to score SRE per certain risk criteria to determine low, medium or high to determine the appropriate level of substantive testing [medium/high visit site]
 - Testing (on a consulting basis for items 1-3) should balance:
 - (1) Sub-award agreement - budget,
 - (2) Request for Reimbursement and
 - (3) Self-Assessment Survey (SAS) and
 - **(4) A more expansive audit checklist - AUP**



Review of Request for Reimbursement from Sub-Award

- Single audit, IRS 990, audited statements
- Labor transaction test
- Non-labor voucher test
- Compare to see if costs within budget
- Review Budget vs. Actual
- Confirm transaction are booked in G/L
- Review for unallowable expenses
- Followed terms of sub-award agreement



Pre-Award Assessment

Self Assessment Survey (SAS) [see form B]

- ❑ Permanent file: gathering background data
- ❑ Procedures: review accounting + grant manuals
- ❑ Federal grant cost accounting: specific questions relating to the capability to track and report on grant awards
- ❑ Performance reports
- ❑ Other significant matters
- ❑ SAS completed by SRE for the PTE before award
- ❑ Used to verify SRE in site visit



AUP Review of Controls

- Audit Checklist:
 - Audit reports
 - Internal controls
 - Management reports, budget, projections
 - Transaction controls around general ledger
 - Cash disbursements
 - Legal / Consultants / Contract Services
 - Travel



AUP Review of Controls

- ❑ Audit Checklist:
 - ❑ Property
 - ❑ Procurement
 - ❑ Bank accounts
 - ❑ Payroll and timekeeping
 - ❑ Match
 - ❑ Eligibility
 - ❑ Sub-grant administration oversight
- ❑ **Expert Report for AUP**




Audit Services 200.425 (AWR)

- Agreed-upon procedure engagements to monitor sub-recipients can be charged directly (**as direct cost**) to Federal awards if:
 - Conducted in accordance with GAGAS
 - Paid and arranged through PTE
 - Limited scope to one or more compliance areas:
 - Activities allowed or disallowed; Eligibility;
 - Allowable costs / cost principles; and Reporting
 - It must be included in the cost budget under Contracts or Other



Interesting Site Visit Findings

- Unfunded / paid accruals beyond 75 days
- No time sheets: supervisor attested time was charged
- Delays in submitting invoices
- No procedures particular to Federal awards
- Used different procedures than the SOP
- Hyper-complicated allocations without notes
- Claiming items not in budget or did not have a separate line item
- Achievement awards/gifts or personal travel



What if they fail
But you want to

Work with them



Subpart C Pre-Award Conditions

200.201(b) New

Use of Fixed Amount Awards

- A type of grant agreement, i.e. programmatic effort, not a contractual arrangement 200.45
- A specific level of effort without regard to actual cost incurred 200.45
- Payments are based on achieving specific requirements
- Federal amount is negotiated using the cost principles as a guide
- There is no government review of actual cost incurred
- Project scope is specific
- Paid in partial payments based on milestones, unit prices, or full payment upon completion

Subpart C Pre-Award Conditions

200.201(b) New

Use of Fixed Amount Awards

- Cannot have cost sharing
- NFE must certify at the end of the award that the project was completed or level of effort was achieved
- Change in principal investigator or scope of effort must receive prior approval
- Awards/sub-awards for fixed amounts based on simple acquisition threshold of **\$250,000** (updated 6-18-18) **200.332**



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

OFFICE OF FEDERAL
FINANCIAL MANAGEMENT

June 20, 2018

M-18-18

MEMORANDUM FOR CHIEF FINANCIAL OFFICERS AND HEADS OF SMALL EXECUTIVE
AGENCIES

FROM:

Tim Soltis

A handwritten signature in black ink, appearing to read "Tim Soltis".

Deputy Controller, Office of Federal Financial Management

SUBJECT:

Implementing Statutory Changes to the Micro-Purchase and the Simplified
Acquisition Thresholds for Financial Assistance

In accordance with recent statutory changes set forth in the National Defense Authorization Acts (NDAA) for Fiscal Years 2017 and 2018, this memorandum raises the threshold for micro-purchases under Federal financial assistance awards to \$10,000, and raises the threshold for simplified acquisitions to \$250,000 for all recipients. Further, it implements an approval process for certain institutions that want to request micro-purchase thresholds higher than \$10,000. Agencies are required to implement these changes in the terms and conditions of their awards, and recipients of existing Federal financial assistance awards may implement them in their internal controls.



Rubino & Company

Paul Calabrese

Paul provides accounting and consulting services to the non-profit and government contracting clients. He has over 30 years of professional experience and is a dynamic trainer, with expertise in federal grant awards, and related indirect cost rate development and the associated agency submissions under Subpart E of the Uniform Guidance.

Paul received his Bachelor of Science in Business Administration with a core in accounting from George Mason University.

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Paul is moving on from
Rubino as Senior Manager

Presenter



Paul H. Calabrese

Principal

Outsourced Accounting & Advisory Services

Questions





The materials contained herein or discussed in the session or shown in the MS Powerpoint slides or attached forms A and B, are for illustrative and academic purposes only and should not be considered appropriate for your organization without careful adaptation by experts in the appropriate field of endeavor.

DISCLAIMER