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City of Dallas 2019 TA Workshop for Federal Grant Programs

Effects of Uniform Guidance: Subrecipient Monitoring Best Practices

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LEARNING OBJECTIVES

- Understand compliance requirements of the Uniform Guidance for Subrecipient Monitoring
- Understand how to properly assess risk
- Learn how to create a risk management plan
- Learn how to monitor and migrate risks encountered

AGENDA

- Musts for Subrecipient Monitoring
- Compliance Overview
- Subrecipient vs. Contractor Determination
- Risk Assessment and Management
- Monitoring Tools and Tips
- Best Practices

SUBRECIPIENT MONITORING - MUSTS

- Ensure every subaward is identified as a subaward and includes the required information
- Evaluate each subrecipient's risk of noncompliance for purposes of determining appropriate subrecipient monitoring
- Monitor activities of the subrecipient
 - Review required financial and performance reports
 - Following-up to ensure timely action for any deficiencies
 - Issue management decision for audit findings pertaining to Federal award
- Verify every subrecipient is audited when threshold is exceeded

SUBRECIPIENT MONITORING OVERVIEW

- Passing of grant funds through to other organizations
- A pass-through entity is responsible for
 - Determining subrecipient eligibility
 - At the time of the subaward, identifying to the subrecipient the following:
 - (1) Subrecipient name; (2) Subrecipient DUNS Number; (3) Federal Award Identification Number (FAIN); (4) federal award date; (5) Subaward Period of Performance Start and End Date; (6) Amount of federal funds obligated by the action; (7) total amount of federal funds obligated to the subrecipient; (8) total award amount; (9) Federal award project description; (10) Name of Federal awarding agency, pass-through entity, contact information for awarding official; (11) CFDA Number and Name; (12) Identification of whether the award is R&D and (13) Indirect cost rate for the federal award

§200.330-200.332

OVERVIEW – CONTINUED

- Evaluation of each subrecipient's risk of noncompliance with Federal statutes, regulations & the terms and conditions of the subaward to determine the appropriate level of monitoring. Consider:
 - The subrecipient's prior experience with the same or similar subawards
 - The results of previous audits, including whether or not the subrecipient receives a Single Audit
 - Whether the subrecipient has new personnel or substantially changed systems
 - The extent & results of Federal awarding agency monitoring
- During the award monitoring – level of monitoring determined on risk assessment

Subrecipient Monitoring – Continued

- Subrecipient Audits – Ensuring that subrecipients expending \$750,000 or more in Federal awards during the subrecipient’s fiscal year have had an audit in accordance with Uniform Guidance
 - Completed within 9 months of the end of the subrecipient’s audit period
 - Issue a management decision on audit findings within 6 months after receipt of the subrecipient’s audit report
 - Ensure that the subrecipient takes timely and appropriate corrective action on all audit finding
- Subrecipients and Contractor determinations: Must make case-by-case determinations of whether each agreement casts the party receiving the funds in the role of a subrecipient or contractor

SUBRECIPIENT VERSE CONTRACTOR

- **Subrecipient** means a non-Federal entity that receives a subaward from a pass-through entity to carry out part of a Federal program, but does not include an individual that is a beneficiary of such program. A subrecipient may also be a recipient of other Federal awards directly from a Federal awarding agency and is subject to applicable compliance requirements (200.93)
- **Contractor** is an entity that receives a contract. A contract is a legal instrument by which a non-Federal entity purchases property or services needed to carry out the project or program under a Federal award (200.23)

SUBRECIPIENT VS CONTRACTOR DETERMINATION

Contractor	Subrecipient
Goods or services are for the non-federal entity's own benefit & use	Purpose of carrying out a portion of federal award
Goods or services are in normal operations	Non-federal entity determines who is eligible to receive federal assistance
Provides to many different purchasers	Has performance measured in relation to objectives of federal program
Normally operates in a competitive environment	Has responsibility for programmatic decision making
Goods or services are ancillary to operation of federal program	Responsible for compliance with federal requirements of the program
Not subject to compliance requirements as a result of agreement	Uses funds to carry out a program for a public purpose

SUBRECIPIENT MONITORING – RISK ASSESSMENT

- Factors to consider
 - Prior experience with same or similar subawards
 - Results of previous audits including whether or not the subaward is audited as a major program
 - New personnel or substantially changed systems
 - Extent and results of Federal awarding agency monitoring

SUBRECIPIENT RISK ASSESSMENT – EXAMPLE

	Subrecipient 2	Risk Level	Subrecipient 3	Risk Level
<p>Size of Subrecipient Award. The smaller the amount of awards expended, the lower the risk. Awards less than \$25,000 have fewer requirements and are considered low risk. Awards greater than \$25,000 considered high risk.</p> <p>1</p>	\$335,319 plus Admin Core Supplement of \$148,963	H	\$ 79,988	L
<p>Financial Statement Audit. Has the subrecipient had a financial statement audit in at least one of the two most recent audit periods? If audited, considered lower risk because there is additional oversight.</p> <p>2</p>	Obtained financial statement audit reports for year ending June 30, 2015 and 2014	L	Obtained financial statement audit reports for year ending June 30, 2014 and 2015	L
<p>OMB Single Audit. Has the subrecipient had a single audit in at least one of the two most recent audit periods? If a single audit has been performed, risk is reduced.</p> <p>3</p>	Obtained A-133 audit report for year ending June 30, 2015	L	Obtained A-133 audit report for year ending June 30, 2014 and 2015	L
<p>Program Audited as a Major Program. Has the subrecipient award from AHA been audited as a major program in at least one of the two most recent audit periods? If so, would support low risk determination as organization has familiarity and oversight of the program. Programs not audited as a major program recently may indicate a higher risk.</p> <p>4</p>	Research and Development Cluster audited as major program for year ending June 30, 2015.	L	Research and Development Cluster not audited as major program for year ending June 30, 2015.	H
<p>Low Risk Auditee. Did the Subrecipient qualify as a low-risk auditee for the OMB A-133 Audit?</p>	Yes, based on Schedule of Findings and Questioned Costs for year ending June 30, 2015	L	Yes, based on Summary of Auditors' Results for year ending June 30, 2014 and 2015.	L

SUBRECIPIENT MONITORING TIPS

- Threshold for single audits applies to all of a subrecipient's federal award programs, not just yours
- Obtaining the single audit reports is not sufficient. Need to determine if findings were issued & the impact on your program. Also need to evaluate whether there are any financial reporting items that could impact your program
- Relying on single audit reports may not be enough monitoring – only really works if that program will be audited as a major program every year – really need to make sure performing some monitoring during the award as well, depending on risk assessment

SUBRECIPIENT MONITORING REMINDERS

- Subrecipient monitoring & management (§200.330 – 200.332)
 - Requires communication of certain information (§200.331(a))
 - Clearly identify award
 - Identify requirements imposed by pass-through entity so award is used in compliance with statutes, regulations, terms & conditions
 - Identify any additional requirements imposed so PTE meets responsibilities of federal awarding agency (reporting, special conditions, etc.)
 - Indirect cost rate information
 - Subrecipient permission for PTE & auditors to access records
 - Closeout terms and conditions
 - PTE's no longer required to retain copies of subrecipient's reporting packages (available at FAC website)

SUBRECIPIENT MONITORING REMINDERS

- Subrecipient monitoring & management (§200.330 – 200.332)
- PTE monitoring of the subrecipient must include: (§200.331(d))
 - Reviewing financial and programmatic reports required by PTE
 - Following-up and ensuring subrecipient takes timely action on all deficiencies detected through audits, on-site reviews, etc.
 - Issuing a management decision for audit findings pertaining to federal award provided to subrecipient from the PTE

MONITORING TOOLS

- Impose specific subaward conditions, if appropriate
 - More detailed financial reports
 - Additional project monitoring
 - Establishing additional prior approvals
 - Requirement to obtain technical or management assistance
 - Must notify the subrecipient regarding the nature, reason why, action needed, time allowed, and method for requesting reconsideration
 - Specific conditions must be promptly removed once the conditions have been corrected
- Provide training and technical assistance on program-related matters
- Perform on-site reviews of program operations

MONITORING TOOLS

- Arrange for agreed upon procedure engagements
 - Available for subrecipients exempt from the Single Audit requirements
 - Must be conducted in accordance with GAGAS
 - Paid for and arranged by the pass-through entity
 - Limited in scope to one or more of the following types of compliance
 - Activities allowed or unallowed
 - Allowable costs/cost principles
 - Eligibility
 - Reporting
- Take enforcement action against noncompliant subrecipients
 - Withhold cash payments pending correction of the deficiency
 - Disallow all or part of the cost of the activity or action not in compliance
 - Suspend or terminate the Federal award
 - Withhold further Federal awards from the project or program

SUBRECIPIENT MONITORING BEST PRACTICES

- Written policies and procedures outlining subrecipient monitoring and management guidelines and responsibilities:
 - Perform risk assessment evaluations on all subrecipients and determine their risk of noncompliance for purposes of determining appropriate level of subrecipient monitoring that should be performed:
 - Develop a risk assessment evaluation plan
 - Select subrecipients for monitoring based on risk assessment
 - Develop and document a monitoring plan
 - Develop a monitoring schedule – determine scheduled start and completion date and anticipated number of hours to complete review
 - Implement monitoring plan
 - Document findings and recommendations
 - Follow up on non-compliance and correction action plan and document results

SUBRECIPIENT MONITORING BEST PRACTICES

- Written policies and procedures outlining subrecipient monitoring and management guidelines and responsibilities:
 - Ensure all subrecipients are monitored as necessary and that funds are expended in ways that meet terms of award
 - Ensure subrecipients have a Single Audit when required
 - When required, request a copy of subrecipient's Single Audit report and review for any findings related to award
 - If findings exist, review subrecipient's corrective action plan and follow up to ensure necessary corrections are made to resolve finding

Questions?

