Government
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
• 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
• 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
• 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** 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

<table>
<thead>
<tr>
<th>Contractor</th>
<th>Subrecipient</th>
</tr>
</thead>
<tbody>
<tr>
<td>Goods or services are for the non-federal entity’s own benefit &amp; use</td>
<td>Purpose of carrying out a portion of federal award</td>
</tr>
<tr>
<td>Goods or services are in normal operations</td>
<td>Non-federal entity determines who is eligible to receive federal assistance</td>
</tr>
<tr>
<td>Provides to many different purchasers</td>
<td>Has performance measured in relation to objectives of federal program</td>
</tr>
<tr>
<td>Normally operates in a competitive environment</td>
<td>Has responsibility for programmatic decision making</td>
</tr>
<tr>
<td>Goods or services are ancillary to operation of federal program</td>
<td>Responsible for compliance with federal requirements of the program</td>
</tr>
<tr>
<td>Not subject to compliance requirements as a result of agreement</td>
<td>Uses funds to carry out a program for a public purpose</td>
</tr>
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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
<table>
<thead>
<tr>
<th>Subrecipient 2</th>
<th>Subrecipient 3</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Size of Subrecipient Award.</strong> The smaller the amount of awards expended, the</td>
<td><strong>Subrecipient 3</strong></td>
</tr>
<tr>
<td>lower the risk. Awards less than $25,000 have fewer requirements and are</td>
<td>$</td>
</tr>
<tr>
<td>considered low risk. Awards greater than $25,000 considered high risk.</td>
<td>79,988</td>
</tr>
<tr>
<td><strong>Financial Statement Audit.</strong> Has the subrecipient had a financial statement</td>
<td><strong>Obtained financial statement audit reports for year ending June 30, 2015 and</strong></td>
</tr>
<tr>
<td>audit in at least one of the two most recent audit periods? If audited,</td>
<td>2014</td>
</tr>
<tr>
<td>considered lower risk because there is additional oversight.</td>
<td><strong>Obtained financial statement audit reports for year ending June 30, 2014 and</strong></td>
</tr>
<tr>
<td></td>
<td>2015</td>
</tr>
<tr>
<td><strong>OMB Single Audit.</strong> Has the subrecipient had a single audit in at least one</td>
<td><strong>Obtained A-133 audit report for year ending June 30, 2015</strong></td>
</tr>
<tr>
<td>of the two most recent audit periods? If a single audit has been performed,</td>
<td><strong>Obtained A-133 audit report for year ending June 30, 2014 and 2015</strong></td>
</tr>
<tr>
<td>risk is reduced.</td>
<td></td>
</tr>
<tr>
<td><strong>Program Audited as a Major Program.</strong> Has the subrecipient award from AHA</td>
<td>**Research and Development Cluster not audited as major program for year</td>
</tr>
<tr>
<td>been audited as a major program in at least one of the two most recent audit</td>
<td>ending June 30, 2015.</td>
</tr>
<tr>
<td>periods? If so, would support low risk determination as organization has</td>
<td><strong>Research and Development Cluster audited as major program for year ending</strong></td>
</tr>
<tr>
<td>familiarity and oversight of the program. Programs not audited as a major</td>
<td>June 30, 2015.</td>
</tr>
<tr>
<td>program recently may indicate a higher risk.</td>
<td></td>
</tr>
<tr>
<td><strong>Low Risk Auditee.</strong> Did the Subrecipient qualify as a low-risk auditee for</td>
<td><strong>Yes, based on Schedule of Findings and Questioned Costs for year ending</strong></td>
</tr>
<tr>
<td>the OMB A-133 Audit?</td>
<td>June 30, 2015.</td>
</tr>
<tr>
<td></td>
<td><strong>Yes, based on Summary of Auditors' Results for year ending June 30, 2014 and</strong></td>
</tr>
<tr>
<td></td>
<td>2015</td>
</tr>
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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 & 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 & 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?