

**Lower Merion School District**

**ADMINISTRATIVE REGULATIONS**

Policy No.:	621.4
Section:	FINANCES
Title:	FEDERAL FISCAL COMPLIANCE
Date Adopted:	4/7/17

**R621.4. FEDERAL FISCAL COMPLIANCE (SUBRECIPIENT MONITORING)**

In the event the District disperses federal funds received through a federal award to other entities and assigns responsibilities to the outside entity to conduct a portion of the work, the District shall be responsible for determining, on a case-by-case basis, whether the agreement with such entity places the outside entity in the role of a subrecipient receiving a subaward of federal funding, or the role of a contractor.

If the District grants subawards of federal funding to other entities as subrecipients, the District shall be responsible for:

1. Evaluating the entity for risk of noncompliance to determine appropriate monitoring practices.
2. Monitoring the subrecipient entity's implementation to ensure compliance with federal, state and local laws, conditions of the federal funding award, and Board policies and administrative regulations.
3. Notifying the subrecipient entity of identified deficiencies found during the monitoring process and ensuring that identified deficiencies are corrected.
4. Documenting and retaining records on subrecipient identification, notification, evaluation, monitoring and corrective actions taken.

**Definitions**

For purposes of policies and procedures related to federal programs, the following definitions shall apply:

**Contract** – 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. The term as used here does not include a legal instrument, even if the entity considers it a contract, when the substance of the transaction meets the definition of a federal program award or subaward. (2 CFR 200.22)

**Contractor** – an entity that receives a contract, as defined in law and regulations, by which a non-federal entity purchases property or services needed to carry out the project or program under a federal award. (2 CFR 200.23)

Lower Merion School District

ADMINISTRATIVE REGULATIONS

Policy No.: 621.4
Section: FINANCES
Title: FEDERAL FISCAL COMPLIANCE
Date Adopted: 4/7/17

Pass-through entity – a non-federal entity that provides a subaward to a subrecipient to carry out part of a federal program. The District serves as the pass-through entity in cases where it awards federal funding to a subrecipient as defined in this procedure. (2 CFR 200.74)

Subaward – an award provided by a pass-through entity to a subrecipient in order to carry out part of a federal award received by the pass-through entity. It does not include payments to a contractor or payments to an individual that is a beneficiary of a federal program. A subaward may be provided through any form of legal agreement, including an agreement that the pass-through entity considers a contract. (2 CFR 200.92)

Subrecipient – a non-federal entity that receives a subaward 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.) (2 CFR 200.93)

Subrecipient versus Contractor

The District must determine, on a case-by-case basis, whether an entity receiving funds from the District as part of a federal funding program serves in a role of subrecipient or contractor. (2 CFR 200.330)

The Business Manager or designee shall be responsible for analyzing the criteria listed in the chart below and evaluating the relationship with the entity based on the substance of the legal agreement, rather than the form of the agreement. The designee(s) may consult with the District solicitor in making such determination.

Table with 2 columns: Subrecipient and Contractor. Rows compare criteria like 'Creates a Federal assistance relationship', 'Determines who is eligible to receive what Federal assistance', and 'Has its performance measured in relation to whether objectives of a Federal program were met'.

**Lower Merion School District**

**ADMINISTRATIVE REGULATIONS**

Policy No.: 621.4  
Section: FINANCES  
Title: FEDERAL FISCAL COMPLIANCE  
Date Adopted: 4/7/17

Has responsibility for programmatic decision making	Normally operates in a competitive environment
Is responsible for adherence to applicable Federal program requirements specified in the Federal award; and	Provides goods or services that are ancillary to the operation of the Federal program; and
In accordance with its agreement, uses the Federal funds to carry out a program for a public purpose specified in authorizing statute, as opposed to providing goods or services for the benefit of the pass-through entity (PTE)	Is not subject to compliance requirements of the Federal program as a result of the agreement, though similar requirements may apply for other reasons

\*chart provided by © American Institute of CPAs (AICPA)

The District shall notify subrecipients that they have been identified as a subrecipient and that the funding qualifies as a subaward. The District shall provide the subrecipient with the following information as specified at 2 CFR Sec. 200.331(a) regarding the federal funding award, and any subsequent changes:

- 1) Federal Award Identification information, including:
  - (i) Subrecipient name (which must match the name associated with its unique entity identifier);
  - (ii) Subrecipient's unique entity identifier;
  - (iii) Federal Award Identification Number (FAIN);
  - (iv) Federal award date (see §200.39 federal award date) of award to the recipient by the federal agency;
  - (v) Subaward period of performance start and end Date;
  - (vi) Amount of federal funds obligated by this action by the pass-through entity to the subrecipient;
  - (vii) Total amount of federal funds obligated to the subrecipient by the pass-through entity including the current obligation;

## Lower Merion School District

### ADMINISTRATIVE REGULATIONS

Policy No.: 621.4  
Section: FINANCES  
Title: FEDERAL FISCAL COMPLIANCE  
Date Adopted: 4/7/17

- (viii) Total amount of the federal award committed to the subrecipient by the pass-through entity;
  - (ix) Federal award project description, as required to be responsive to the Federal Funding Accountability and Transparency Act (FFATA);
  - (x) Name of federal awarding agency, pass-through entity, and contact information for awarding official of the pass-through entity;
  - (xi) CFDA Number and Name; the pass-through entity must identify the dollar amount made available under each federal award and the CFDA number at time of disbursement;
  - (xii) Identification of whether the award is R&D; and
  - (xiii) Indirect cost rate for the federal award (including if the de minimis rate is charged per §200.414 Indirect (F&A) costs).
- 2) All requirements imposed by the pass-through entity on the subrecipient so that the federal award is used in accordance with federal statutes, regulations and the terms and conditions of the federal award;
  - 3) Any additional requirements that the pass-through entity imposes on the subrecipient in order for the pass-through entity to meet its own responsibility to the federal awarding agency including identification of any required financial and performance reports;
  - 4) An approved federally recognized indirect cost rate negotiated between the subrecipient and the federal government or, if no such rate exists, either a rate negotiated between the pass-through entity and the subrecipient (in compliance with this part), or a de minimis indirect cost rate as defined in §200.414 Indirect (F&A) costs, paragraph (f);
  - 5) A requirement that the subrecipient permit the pass-through entity and auditors to have access to the subrecipient's records and financial statements as necessary for the pass-through entity to meet the requirements of this part; and
  - 6) Appropriate terms and conditions concerning closeout of the subaward.

### **Evaluation of Risk**

**Lower Merion School District**

**ADMINISTRATIVE REGULATIONS**

Policy No.:	621.4
Section:	FINANCES
Title:	FEDERAL FISCAL COMPLIANCE
Date Adopted:	4/7/17

The District shall evaluate each subrecipient’s risk of noncompliance with law, regulations and the terms and conditions of the subaward to determine appropriate monitoring practices. (2 CFR 200.331)

The Business Manager or designee shall be responsible for evaluating risk based on the following factors:

1. The subrecipient’s prior experience with the same or similar subawards;
2. The results of previous audits, including whether the subrecipient receives a single audit and the extent to which the same or similar subaward has been audited;
3. Whether the subrecipient has new personnel, or new or substantially changed systems and processes;
4. The extent and results of any federal award agency’s monitoring of the subrecipient.

The Business Manager or designee shall request adequate documentation from the subrecipient to conduct the evaluation of risk; such documentation may include, but shall not be limited to, audit reports, financial reports, policies and procedures, detailed descriptions or users’ guides of current systems and processes.

The District shall evaluate subrecipients for risk of noncompliance as specified in the legal agreement and/or contract.

Based on the results of the risk evaluation, the District may consider imposing specific conditions on implementation of the subaward, in accordance with applicable law and regulations. (2 CFR 200.207, 200.331)

**Monitoring**

The District shall monitor the implementation and activities of each subrecipient as necessary to ensure that the subaward is used for authorized purposes, in accordance with law, regulations and the terms and conditions of the subaward. The District shall notify subrecipients of monitoring requirements, and may provide technical assistance to subrecipients in complying with monitoring requirements.

As part of the monitoring process, the District shall complete the following steps: (2 CFR 200.331)

**Lower Merion School District**

**ADMINISTRATIVE REGULATIONS**

Policy No.: 621.4  
Section: FINANCES  
Title: FEDERAL FISCAL COMPLIANCE  
Date Adopted: 4/7/17

1. Review financial and performance reports required by the District.
2. Follow-up and ensure that the subrecipient takes timely and appropriate action on all deficiencies pertaining to the subaward detected during monitoring through audits, on-site reviews and other means.
3. Issue a management decision for audit findings pertaining to the subaward provided to the subrecipient, in accordance with applicable law and regulations. (2 CFR 200.521)

*Monitoring –*

The Business Manager or designee shall be responsible for monitoring of subrecipients. Monitoring activities may include, but shall not be limited to:

1. Review of progress reports, financial reports and data quality.
2. On-site visits.
3. Review of federal or state debarment lists.
4. Review of other agreed-upon procedures specified in the legal agreement or contract. (2 CFR 200.425)

The District shall verify that subrecipients are audited as required by applicable law and regulations. (2 CFR 200.331, 2 CFR 200.500-200.521, Pol. 619)

*Follow-Up Actions –*

The Business Manager or designee shall provide subrecipients with written documentation detailing their monitoring results and listing any identified deficiencies. The District shall consider whether the results of monitoring indicate the need to revise existing District policy and procedures. (2 CFR 200.331)

The District shall require subrecipients to take immediate action on issues involving ineligible or illegal use of federal funding, and notify the District of corrective action taken.

The District shall require subrecipients to develop a corrective action plan to address other identified deficiencies or noncompliance issues; such plan shall be submitted to the District as

## Lower Merion School District

### ADMINISTRATIVE REGULATIONS

Policy No.: 621.4  
Section: FINANCES  
Title: FEDERAL FISCAL COMPLIANCE  
Date Adopted: 4/7/17

specified in the agreed-upon procedures, and the District shall evaluate and monitor the activities taken by the subrecipient under the corrective action plan. The District may provide technical assistance and/or training to subrecipients in complying with corrective action requirements.

The Business Manager or designee shall maintain all documentation on monitoring of subrecipients and corrective action taken during the monitoring process.

The District shall report issues of noncompliance to the appropriate federal agency where required by law, regulations, or requirements of the federal funding program.

#### *Remedies for Noncompliance –*

When monitoring activities identify issues of noncompliance that are not addressed through corrective action, the District may take the following actions: (2 CFR 200.331, 200.338)

1. Impose specific conditions on the subrecipient, in accordance with applicable law and regulations. (2 CFR 200.207)
2. Temporarily withhold cash payments, in accordance with applicable law and regulations.
3. Disallow or deny use of funds for all or part of the cost of the activity or action not in compliance.
4. Wholly or partially suspend or terminate the agreement for the federal award.
5. Recommend that the federal agency initiate suspension and debarment proceedings.
6. Withhold further awards or agreements for the project or program.
7. Take other remedies legally available, in consultation with the District solicitor or other qualified counsel.

#### **Record Retention**

The Business Manager or designee shall ensure that all documentation regarding subrecipient identification, notification, evaluation, monitoring activities and corrective action is maintained in accordance with Board policy and procedures. (Pol. 800)

**Lower Merion School District**

**ADMINISTRATIVE REGULATIONS**

Policy No.:	621.4
Section:	FINANCES
Title:	FEDERAL FISCAL COMPLIANCE
Date Adopted:	4/7/17

Records shall be retained in accordance with applicable law, regulations, specific requirements of the federal program and the District's records retention schedule. (2 CFR 200.333-200.337, Pol. 800)