Grant Subrecipient Monitoring Procedures – Federal Programs

In the event the school 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 school 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 school grants subawards of federal funding to other entities as subrecipients, the school 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 Joint Operating Committee policy and procedures.

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 – **for the purpose of federal financial assistance,** a legal instrument by which a **recipient or subrecipient conducts procurement transactions under a federal award.**

Contractor – an entity that receives a contract.

Pass-through entity – a **recipient or subrecipient** that provides a subaward to a subrecipient to carry out part of a federal program. The school serves as the pass-through entity in cases where it awards federal funding to a subrecipient as defined in this procedure.

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**, participant** 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.

Subrecipient – **an** entity that receives a subaward **from a pass-through entity** to carry out part of a federal program; but does not include **a participant or** 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.

Subrecipient Versus Contractor

The school must determine, on a case-by-case basis, whether an entity receiving funds from the school as part of a federal funding program serves in a role of subrecipient or contractor. (2 CFR **200.331**)

The Business Manager 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 **relationship**, rather than the form of the agreement. The Business Manager may consult with the school solicitor or other qualified counsel in making such determination.

Subrecipient	**Contractor**
Purpose: To carry out a portion of the federal award and create a **federal financial assistance relationship**	Purpose: To obtain goods and services for the **recipient's or subrecipient's** own use and create a procurement relationship
Subrecipient Characteristics ***Include but are not limited to when the entity -***	**Contractor Characteristics** ***Include but are not limited to when the contractor -***
Determines who is eligible to receive what federal assistance	Provides the goods and services within normal business operations
Has its performance measured in relation to whether objectives of a federal program were met	Provides similar goods or services to many different purchasers
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, **although** similar requirements may apply for other reasons

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

Qualification Verification

The school must verify that the subrecipient is not excluded or disqualified by: (2 CFR 180.300)

- **Checking SAM.gov;**
- **Collecting a certification from subrecipient; or**
- **Adding a clause or condition to the subaward.**

Subaward Notification and Information

After verification, the school shall notify subrecipients that they have been identified as a subrecipient and that the funding qualifies as a subaward. The school shall provide the subrecipient with the following information as specified at 2 CFR **200.332** regarding the federal funding award, and any subsequent changes:

1. Federal Award Identification information, including:

    a. Subrecipient name (which must match the name associated with its unique entity identifier);

    b. Subrecipient's unique entity identifier;

    c. Federal Award Identification Number (FAIN);

    d. Federal Award Date **the** date **the federal agency officially signed the federal award or when an authorized alternative is reached with the recipient**;

    e. Subaward Period of Performance Start and End Date;

    f. **Subaward Budget Period Start and End Date;**

    g. Amount of Federal Funds Obligated **in the subaward**;

    h. Total Amount of Federal Funds Obligated to the subrecipient by the pass-through entity including the current **financial** obligation;

    i. Total Amount of the Federal Award committed to the subrecipient by the pass-through entity;

    j. Federal award project description, as required **by** the Federal Funding Accountability and Transparency Act (FFATA);

    k. Name of federal awarding agency, pass-through entity, and contact information for awarding official of the pass-through entity;

    l. **Assistance Listing Title and** Number; the pass-through entity must identify the dollar amount made available under each federal award and the **Assistance Listing** Number at time of disbursement;

    m. Identification of whether the award is **for research and development**; and

    n. Indirect cost rate for the federal award (including if the de minimis rate is charged per **2 CFR** 200.414 Indirect (F&A) costs).

2. All requirements **of the subaward including requirements imposed by** 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 for the pass-through entity to meet its own responsibility to the federal awarding agency including **information and certifications** required **for submitting** financial and performance reports; **(2 CFR 200.415)**

4. An approved indirect cost rate negotiated between the subrecipient and the federal government or, if no **approved** rate exists, either a rate negotiated between the pass-through entity and the subrecipient (**2 CFR 200.332**), or a de minimis indirect cost rate as defined in §200.414 Indirect (F&A) costs, paragraph (f). **The pass-through entity must not require the use of the de minimis indirect cost rate if the subrecipient has an approved indirect cost rate negotiated with the federal government. Subrecipients may elect to use the cost allocation method to account for indirect costs; (2 CFR 200.405)**

5. A requirement that the subrecipient permit the pass-through entity and auditors to access the subrecipient's records and financial statements as necessary for the pass-through entity to **fulfill its monitoring requirements**; and

6. Appropriate terms and conditions concerning closeout of the subaward.

Evaluation of Risk

The school shall evaluate each subrecipient's **fraud risk and** risk of noncompliance with law, regulations and the terms and conditions of the subaward to determine appropriate monitoring practices. (2 CFR **200.332**)

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 **as a major program**;
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 school shall evaluate subrecipients for risk of noncompliance as specified in the legal agreement or contract.

Based on the results of the risk evaluation, the center (school) may consider imposing specific conditions on implementation of the subaward **and shall notify the federal agency of the specific conditions**, in accordance with applicable law and regulations. (2 CFR 200.207, **200.332**)

Monitoring

The school shall monitor the **overall performance, including** implementation and activities of each subrecipient as necessary to ensure that the subaward is used for authorized purposes **and that the performance goals are achieved,** in accordance with law, regulations and the terms and conditions of the subaward. The school 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 school shall: (2 CFR **200.332**)

1. Review financial and performance reports.

2. **Ensure that the subrecipient takes corrective action on all significant developments that negatively affect the subaward. Significant developments include Single Audit findings related to the subaward, other audit findings, site visits, and written notifications from a subrecipient of adverse conditions which will impact their ability to meet the milestones or the objectives of a subaward. When significant developments negatively impact the subaward, a subrecipient must provide the pass-through entity with information on their plan for corrective action and any assistance needed to resolve the situation.**

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)

4. **Resolve audit findings specifically related to the subaward. However, the pass-through entity is not responsible for resolving cross-cutting audit findings that apply to the subaward and other federal awards or subawards. If the subrecipient has a current Single Audit report and has not been excluded from receiving federal funding, the pass-through entity may rely on the subrecipient's cognizant agency findings. (2 CFR 200.513)**

*Monitoring – **Delegation of Responsibility***

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

1. **Providing training and technical assistance.**

2. Review of progress reports, financial reports and data quality.

3. On-site visits.

4. Review of federal or state debarment lists.

5. Review of other agreed-upon procedures specified in the legal agreement or contract. (2 CFR 200.425)

The school shall verify that subrecipients are audited as required by applicable law and regulations. (2 CFR **200.332**, 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 school shall consider whether the results of monitoring indicate the need to revise existing school policy and procedures **or the need to take other enforcement action. (2 CFR 200.332**)

The school may impose specific conditions on the subrecipient, in accordance with applicable law and regulations. (2 CFR 200.208)

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

The school shall require subrecipients to develop a corrective action plan to address other identified deficiencies or noncompliance issues; such plan shall be submitted to the school as specified in the agreed-upon procedures, and the school shall evaluate and monitor the activities taken by the subrecipient under the corrective action plan. The school 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 school 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 school may take the following actions: (2 CFR **200.332, 200.339**)

1. Temporarily withhold payments, **until the recipient or subrecipient takes corrective action**.

2. Disallow or deny use of funds for all or part of the cost of the activity or action not in compliance.

3. Suspend or terminate the federal award in whole or in part.

4. Recommend that the federal agency initiate suspension and debarment proceedings.

5. Withhold further **federal funds (new** awards or **continuation of funding)** for the project or program.

6. Take other remedies legally available, in consultation with the school solicitor or other qualified counsel.

Record Retention

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

Records shall be retained in accordance with applicable law, regulations, specific requirements of the federal program and the school's records retention schedule. (2 CFR **200.334-200.338**, Pol. 800)

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