Subrecipient Management and Oversight
Uniform Guidance vs. OMB Circulars

• Prior to the Uniform Guidance, requirements governing cost principles, administrative requirements and single audit requirements were found in eight separate OMB Circulars.

• In addition to the Uniform Guidance, recipients and subrecipients of a DOL award must adhere to 2 CFR 2900 found at www.ecfr.gov.

• Adopted on December 19, 2014, includes a limited number of exceptions approved by OMB to ensure consistency with existing policy and procedures.

• Expanded at 2 CFR 2900.2, the exceptions definition of non-Federal entity includes for-profit or commercial and foreign entities.

• Grant recipients and subrecipients of DOL funds that are commercial or for-profit entities or foreign entities must adhere to 2 CFR 200 and 2 CFR 2900.

The Uniform Guidance can be found at http://www.doleta.gov/grants/resources.cfm
Why is it necessary to manage and provide oversight of subrecipients?

- Compliance with applicable laws and regulations
- Attainment of performance and financial goals
- Identification of technical assistance and training needs
- Timely and adequate corrective actions
- Improvement of program performance, efficiency, and outcomes
At the end of this course, you should be able to:

• Identify requirements and methods to conduct a risk assessment and select subrecipients during the pre-award period.

• Identify methods and tools for conducting monitoring of your subrecipients during the post-award period.

• Identify the requirements for closeout of subrecipient awards.
SECTION 1: General Definitions
Pass-Through Entity (PTE)

Means a non-Federal entity that provides a subaward to a subrecipient to carry out part of a Federal program

Subaward

Award provided by a pass-through entity to a subrecipient to carry out part of a Federal award
What is a Subrecipient?

Subrecipient: 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 a program. A subrecipient may also be a recipient of other Federal awards directly from a Federal awarding agency.
Pass-Through Entities – General Responsibilities

2 CFR 200.331(d)

- Conduct oversight throughout the period of performance
- Ensure accurate financial and performance reporting
- Ensure compliance with all grant and subaward terms and conditions
- Meet performance and financial goals
- Select qualified subrecipients

Pre-award → Post-award → Closeout
1. All grant requirements apply equally to your subrecipients.
   • A significant exception is the prior approval requirement for budget modifications that applies to the pass-through entity.
2. As the grant recipient, you have monitoring responsibility over all of your subrecipients.
3. As the grant recipient, you have responsibility for financial and performance reporting and ensuring accuracy of information.
Accountability

Being a “pass-through” does not give the entity a “pass” on accountability.

The level of responsibility is greater than under a contract.

Funds are provided to meet the pass-through entity’s program and performance objectives.

Pass-through entity is as accountable as if it were providing the services itself.

IF THEY FAIL, YOU FAIL!
SECTION 2: Pre-Award
Guide to Selecting Subrecipients

Due Diligence Before the Award

Pass-through Entity’s Internal Controls System
- Written procedures
- Evaluation factors for selecting subrecipients
  - Financial capacity
  - Accounting system
  - Organizational structure

Risk Assessment
- Evaluation of each subrecipient's risk of noncompliance
- Review of financial and programmatic reports
An initial assessment of each subrecipient’s capacity to fulfill the terms of their award based on criteria outlined in a risk assessment tool.

**Required Factors include:**

- Prior experience with same or similar activities.
- Evaluate financial capacity
- Develop a tool to examine indicators and risk:
  - History of performance and reporting
  - Adequacy of internal control structure and budget controls
  - Financial stability
- If deemed at risk, consider imposing special conditions to the agreement.
Special Conditions Needed

2 CFR 200.207(b)

- Payments as reimbursements
- Withholding authority to proceed to the next phase
- Detailed financial reports
- Additional project monitoring
- Obtain technical or management assistance
- Establishing additional prior approvals
Notification Requirements

**2 CFR 200.207(c)**

- Nature of additional requirements
- Reason additional requirements are imposed
- Action needed to remove additional requirement
- Time allow for completion
- Method for reconsideration

Special conditions imposed must be promptly removed once the conditions that prompted them have been corrected.
What is in a Subaward?

2 CFR 200.331 and 2 CFR 331

- Identify agreement as subaward to subrecipien
- Include 13 required items of information
- Identify all Federal and PTE requirements
- Federal Award Identification Number (FAIN)
- Dollar amount of each award by CFDA number
- Special conditions per risk assessment
- Subrecipient monitoring tools and guidance
Considerations...

Subrecipients must be able to:

• Meet Federal reporting requirements.
• Gather accurate data for reporting to ETA.

Common Mistakes...

• Lack of information on program income leveraged resources.
• Improper reporting of accrued expenditures, unliquidated obligations, etc.
Questions...

Does your grant have a match requirement or a leveraged resources requirement?

Did you award funds to your subrecipients based on the match or leveraged resources they can bring to the table?

Does your subrecipient use other resources (non-Federal) to support the program?

Does this schedule meet your information needs to address your responsibilities for effective grant management?

Is the collection of additional date items needed?
The pass-through entity is accountable and potentially liable for all of the actions of its subrecipients.

A) True
B) False
The answer is True.

The pass-through entity is accountable and potentially liable for all of the actions of its subrecipients.
It is in the pass-through entity's best interest to identify the items of information and frequency with which reports are submitted by its subrecipients.

- A) True
- B) False
The answer is True.

It is in the pass-through entity’s best interest to identify the items of information and frequency with which reports are submitted by its subrecipients.
Subrecipient management begins during the closeout phase, and includes a risk assessment stipulating subaward terms and conditions.

- A) True
- B) False
The answer is False.

Subrecipient management begins during the **pre-award** phase and includes a risk assessment, which may stipulate additional subaward terms and conditions.
The recipient must have written procedures and evaluation factors for selecting subrecipients.

- A) True
- B) False
The answer is True.

The recipient must have written procedures and evaluation factors for selecting subrecipients.
SECTION 3: Post-Award – Monitoring Methods
Essential Monitoring Elements

• Policies and Procedures
• Tools and Guides
• Resources and Methods
• Staff and Resources
  – Adequate staffing
  – Knowledgeable monitors
  – Other resources
  – Budgetary resources—travel, training
  – Online training is available
  – Access to information
What Do I Need to Review?

- Enabling legislation and program regulations
- Program activities—allowable and unallowable
- Cost category restrictions

  Grant agreement additional rules:
  - Nondiscrimination and EEO
  - Drug Free Workplace
  - Lobbying
  - Suspension and Debarment
  - Audits

- Notice of Award (cover page)
Methods (e.g., risk assessment, desk review, on-site), procedures, and activities:

- **Who** does the monitoring and who gets monitored?
- **What** gets monitored? Which functions and activities?
- **Where** is it done? What is done remotely; what is done on-site?
- **When** and how often? Timelines for each state of process?
- **How** is it done? What tools, guides and formats will be used?
- **How** do findings get resolved? – Remedies, sanctions, process for appeals and hearings
WIOA contains several provisions related to monitoring requirements.

- Section 184 requires annual on-site monitoring by the State of local areas.
- Section 185 requires each State, each local board, and each recipient receiving funds to:
  - Shall make readily accessible such reports concerning its operations (performance) and expenditures.

Oversight responsibilities are located in WIOA 683-400.
• Assure timeliness and accuracy of reports
• Assess progress in achieving goals
• Identify trends
  – Predict progress
  – Uncover potential problems with budget, costs or goals
• Coordinate review of fiscal and program reports together
• Ensure costs are properly classified
  – Can reveal a more complete picture of overall performance
Questions...

Does the data from the fiscal and performance reports appear to be in alignment?

Do the trends in expenditures make sense in context with the trends in performance data?

Does there appear to be a disconnect that could indicate lack of effective communication between program and fiscal staff?
Requires Performance Reporting by Non-Federal Entities

- Performance reports MUST be submitted.
  - Compare actual accomplishments to award objectives; unit cost computations if useful; performance trend data and analysis, if informative.
  - Include reasons for slippage if objectives not met.
  - Analysis of cost overruns or high unit costs if appropriate.

Pass-Through Entities

- Required to monitor subrecipients to ensure that subaward performance goals are achieved.
Desk Monitoring

- Alternative to, preparation for, or supplemental to on-site monitoring, which may lead to on-site monitoring
- Process for acquiring, verifying, comparing, and analyzing information.
  - To get a better sense of ongoing operations
  - To identify and respond to rising issues
  - To focus future on-site reviews
- Helps to improve responsiveness to difficulties and issues
- Should be formally documented
On-Site Monitoring

2 CFR 200.331(d)

• Under WIOA, States are required to perform annual on-site monitoring of local areas.
• Requirements for Pass-Through Entities:
  – “Monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subaward.”
• Ways to monitor:
  – On-site meetings and interviews with staff and subrecipients.
  – Review records and source documents.
• Prevent or discover program fraud or abuse.
Non-Federal entities must monitor to ensure a subaward is:

- Used for authorized purposes
- Operating in compliance with Federal laws and regulations
- Consistent with the terms and conditions of the subaward
## Monitoring vs. Audit

<table>
<thead>
<tr>
<th>Monitoring</th>
<th>Audit</th>
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<tr>
<td>• Accomplished by staff with an ongoing relationship with the subrecipient.</td>
<td>• Occurs after the end of the fiscal period</td>
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<td>• Identifies issues and addresses them immediately.</td>
<td>• Due no later than nine months after period of performance</td>
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<tr>
<td>• Is current and preventative.</td>
<td>• Often takes place after the end of the grant</td>
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<td>2 CFR 200.331(d)</td>
<td>• Part of the official public record</td>
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<td>Every subrecipient must be audited as required by Subpart F of the Uniform Guidance.</td>
<td>• Is corrective and curative</td>
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<td>• Is not a substitute for monitoring</td>
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Pre-Review Collection of Data and Reports

- Grant documents
  - Scope of work, budget, and narrative
- Organizational chart
- Performance reports
- Expenditure reports and spending rates
- Monitoring reports
- Audit reports
• Assess the status of previous findings and issues.
• Determine whether any basic changes have occurred.
• Alert the entity being reviewed in writing as to any required documentations.
• Ensure that you know where the records are located.
• Schedule appointments prior to arrival at location.
• Hold brief entrance meeting.
• Hold exit conference as scheduled.
On-Site Monitoring Rules

- Review policies, procedures, operations and systems
- Interview staff at entity or subrecipient level
  - Use an open-ended and consistent approach
- Test/sample transactions
  - Ensure trail is consistent
  - Follow policies and procedures
  - Review source documents for accuracy
- Test internal controls
- Compare all information gathered
A finding is any “specific violation of“:
- Law
- Regulations
- OMB guidance
- Award agreement
- Formal policy

✓ Always requires actions to correct the violation.
✓ Before you leave exit conference be sure to obtain sufficient documentation to support a potential non-compliance issue.
Questioned Costs

2 CFR 200.84

- Laws
- Regulation
- Terms and conditions or costs not supported by adequate documentation, or
- Costs incurred appear unreasonable

EXAMPLES...

- Funds expended on an ineligible participant
- Administrative expenditures exceeding cost limitation
- Costs charged to a particular Federal award without proper documentation
- Transportation rental costs

Authorized individuals: Auditor, Federal Project Officer, Grant Officer, Authorized Awarding Agency Rep
Examples of situations when corrective action is not specified but suggestions for improvement are made.

- Weak internal control that might allow for a violation at a later date.
- Erroneous policy that could be misinterpreted.
- Key staff not being aware of an existing policy on travel costs.

A concern does not require a written response, but it puts the entity on notice that a potential problem has been identified.
Exit Meeting

An oral discussion to address any outstanding issues, discuss promising practices, and identify technical assistance and training needs.

- Review and document your findings.
- Prepare a list of issues and identify items that appear to be non-compliant.
- Define concerns that resulted in disallowed costs to ensure immediate corrective action.
- Discuss timeframe for:
  - Written Report
  - Response
Writing an Effective Monitoring Report

• Be timely
• Be specific
• Be open
• Be clear
• Be consistent
• Be correct
• Be convincing
The 4 C’s:
Condition, Criteria, Cause, Corrective Action

**Condition:** Describe the problem

**Criteria:** Specify regulation/policy in question

**Cause:** Explain why the problem exists

**Corrective action:** Propose needed remedy

**Recommendation:** Include the impact or effect of the violation on the organization or program in the write-up.
**Condition:** Describe and document any conditions that constitute a compliance violation found during the desk review and on-site monitoring visit.

For example:

“No physical inventory of equipment and other capital assets was taken during the last three fiscal years.”
**Criteria:** Specify the statutory, regulatory, OMB guidance citation, or formal policy/procedure that was not met. Any gaps identified must be documented, along with recommendations for reconciliation.

For example:

“The Uniform Guidance at 2CFR 200.313(d)(2) states that at a minimum a physical inventory must be conducted every two years.”
**Cause:** Determine and document the cause of each condition. If the immediate cause(s) are undeterminable, due to lack of verification/sufficient documentation, omit a description and state that the cause could not be determined. For example:

"The lack of written procedures and proper assignment of staff duties have resulted in the lack of compliance."
Corrective Action: It is important to specify what corrective action the subrecipient must take to remedy the problem and the timeframe for completing the recommended changes.

For example:

“The agency must implement a policy requiring an annual or biannual inventory of all equipment, identify the staff position responsible for conducting the inventory, and submit a copy of the policy and a completed inventory report to this office within 30 days.”
SECTION 4: Post-Award – Resolution Process
Resolution Process

Receive Corrective Action Plan from Subrecipient

**What will the subrecipient do to resolve the issue?**

- Identify what they will do to resolve the problem.
- Identify actions that address the root cause.
- Provide a timeline for implementing the changes.

**Who is responsible for carrying out the corrective actions?**

- Determine who in the organization is responsible for ensuring that the issues are addressed.

**What is the intended result?**

- Identify what the goal is for implementing the corrective action.
- Describe how the result will address the problem.
• Communicate progress for implementing changes
• Document the progress and provide guidance and any needed technical assistance
• When costs are questioned take prompt action
• Provide missing documentation
• Transfer cost to non-Federal source
• Track until corrective action is complete
• Verify on-site if appropriate
• If action is not completed within required timeframe, determine appropriate actions
If Corrective Action Is Not Completed

- Take Formal Action
- Recommended Process
  - Initial Determination
  - Informal Resolution
  - Final Determination
  - Establish Debt
  - Require corrective action
  - Determine liability, restitution, and sanctions
  - Opportunity for hearing
STATE REQUIREMENTS

✓ States are required to apply to the resolution of subrecipient-level findings arising from audits, investigations, monitoring, and oversight reviews.

✓ States **must** use the audit resolution, debt collection, and appeal procedures that is used for other Federal grant programs to resolve audits, investigations, monitoring, and oversight findings.

If no such procedures exist, State must prescribe standards and procedures to be used.
Pass-through entity may take action:

- Impose special conditions per 200.207
- Take one or more specific actions authorized in the Uniform Guidance
Authorized Actions to Respond to Noncompliance

- Temporarily withhold cash payments or place on a reimbursement basis
- Disallow all or part of the cost of the activity or action not in compliance
- Wholly or partly suspend or terminate the award
- Recommend suspension or debarment proceeding be initiated by a Federal awarding agency
- Withhold further awards for the project or program
- Take other remedies that may be legally available
Management Decisions

2 CFR 200.331

2 CFR 200.521

- Resolve audits
- Ensure corrective action
- Allow or disallow costs
- Establish debt
- Provide appeal rights

DOL exception: 2900.21

- Issue management decision on audits within 12 months of audit acceptance by Federal Audit Clearinghouse (FAC)
Avoid Ineffective Monitoring Processes

Failure to monitor can leave the program open to fraud, waste and abuse.

Perform periodic risk assessments to update your monitoring plans.

Ongoing two-way communication throughout the period of performance is critical.

Identify the issues that need attention or correction and take timely action.
Knowledge Check

Knowledge Check
The recipient is responsible for issuing management decisions on audit and monitoring findings.

- A) True
- B) False
The answer is True.

The recipient is responsible for issuing management decisions on audit and monitoring findings.
Monitoring methods include report review and analysis, desk monitoring, on-site monitoring, and audit.

A) True
B) False
The answer is True.

Monitoring methods include desk monitoring, report review and analysis, on-site monitoring, and audit.
A questioned cost is subject to disallowance when it is a violation of law, regulation, and subaward terms and conditions.

A) True
B) False
The answer is True.

A questioned cost is subject to disallowance when it is a violation of law, regulation, and subaward terms and conditions.
Once the subaward has expired, there is no further need for resolution of findings.

- A) True
- B) False
The answer is False.

All monitoring and audit finds must be resolved even after the subaward is closed. Closeout does not relieve the recipient of its responsibility to resolve these issues and does not relieve the subrecipient of accountability for any pending matters.
Why Closeout is Important

- All grants must be closed after the date of completion of an award in accordance with regulations.
- The grant must be closed within 90 days after the expiration or termination of a grant or when funds are exhausted.
- All financial performance and other reports required as a condition of the grant must be submitted.
- This information is also important as it enables ETA to better manage and track the timely closeout of grants.
**What is Closeout?**

**Closeout** means the process by which the Federal awarding agency or pass-through entity determines that all applicable administrative actions and all required work of the Federal award have been completed and takes actions as described in 200.343.

**2 CFR 200.16**
• Monitor and track all grant-related expenditures
• Obtain final cost reports
• Obtain final performance reports
• Incorporate subrecipient-level reported data into pass-through entity’s final reports
• Maintain source documentation
• Ensure the proper closeout of all subawards
• Ensure that applicable audits are performed and resolved
Common Subrecipient Closeout Issues

- Government property inventory list
- Subrecipient match requirement
- Delays in submission
- Program income
- Potential stand-in costs
- Costs incurred after subgrant expiration
Authority After Closeout

Closeout Does NOT Affect:

- Disallowances
- Debts
- Access to Records
- Property Management
- Audit

DOL and non-Federal entities reserve the right to collect debts and access records throughout the period of record retention.
Knowledge Check

Knowledge Check
The closeout requirements in the Uniform Guidance applies only to ETA and not to the direct recipient.

- A) True
- B) False
The answer is False.

Direct recipients are required to close out their subawards with their subrecipients.
Question 2

After closeout is competed, no further actions are required of the subrecipient.

- A) True
- B) False
The answer is False.

The subrecipient must maintain documentation and records in accordance with the record keeping requirements, is subject to audit if applicable, and is also subject to the recovery of disallowed costs or other corrective actions as applicable.
Program income that remains at closeout may be retained by the subrecipient.

A) True
B) False
The answer is False.

Any program income remaining at closeout must be returned to the Federal funding agency.
The recipient is responsible for ensuring that its subrecipients meet audit requirements.

- A) True
- B) False
The answer is True.

The recipient is responsible for ensuring that its subrecipients meet audit requirements.
Section 1: General Definitions
- Pass-Through Entities
- Subrecipients
- Accountability

Section 2: Pre-Award
- Due Diligence
- Risk Assessments
- Subawards
- Identify Reporting Requirements
Section 3: Post Award – Monitoring Methods
✓ Essential Monitoring Elements
✓ Monitoring Policies and Procedures
✓ Program Statute and Regulations
✓ Performance, Desk and On-Site Monitoring
✓ Findings: Condition, Criteria, Cause and Corrective Action

Section 4: Post Award – Resolution Process
✓ Resolution Process
✓ If Corrective Action is Not Completed
✓ Remedies for Non Compliance
✓ Authorized Actions to Respond to Noncompliance

Section 5: Closeout
✓ Pass-Through Entity Responsibilities at Closeout
✓ Common Subrecipient Closeout Issues
✓ Authority After Closeout
This presentation is complete.