

SUBRECIPIENT MONITORING PROCEDURE

Status: Active

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PURPOSE:

Department personnel perform monitoring activities to ensure funds are used for authorized purposes in compliance with Federal statutes, regulations, and the terms and conditions of the agreement; and that performance goals are achieved. Monitoring activities are based upon the level of risk assigned to the subrecipient and subaward by the Risk Assessment Team during the pre-award process. Monitoring activities must include, at a minimum, all activities required by the subaward risk level. Division Directors or designee may approve an exception to the minimum monitoring activities due to unusual circumstances. Additional monitoring activities beyond those of the determined risk level may be completed at the discretion of the Contract Owner and/or Fiscal Grant Manager or as required by federal implementing regulations.

Division Directors are responsible for ensuring agreements in their division are monitored and necessary action is taken. As a result of monitoring, the Contract Owner and/or Fiscal Grant Manager may consult with the Risk Assessment Team to determine if the subrecipient and/or subaward risk level should be adjusted.

REFERENCES:

1. State of Utah, Division of Purchasing-Contract Administration and Monitoring Guide,
2. 2 CFR §200.331 & 332 (Uniform Guidance)

DEFINITIONS:

1. **Agreement:** For purposes of this procedure, an agreement is a written document that defines the terms of a DWS award to a subrecipient.
2. **Centralized Repository:** The identified location for contract documents to be stored, as determined by the department. The storage location is located on the I: drive or WebGrants.
3. **Contract Analyst:** DWS personnel responsible for assisting the contract owner through the contract process. The contract analyst has oversight of the technical aspects of the contract process.
4. **Contract Owner:** DWS personnel responsible for ensuring the agreement or contract is in compliance with requirements and that performance expectations are being achieved. The Contract Owner is the primary person responsible for program monitoring.



5. **Contract:** For purposes of this procedure, a contract is a written document that defines the terms of a DWS award.
6. **Contractor:** An entity that receives a contract for the purpose of providing goods and/or services to DWS for use by DWS, creating a procurement relationship with DWS. A contractor is **NOT** a subrecipient.
7. **Fiscal Monitoring:** Any set of activities designed to determine compliance with fiscal requirements.
8. **Fiscal Grant Manager:** DWS personnel responsible for ensuring the agreement or contract is in compliance with fiscal requirements. The Fiscal Grant Manager is the primary person responsible for fiscal monitoring.
9. **Monitoring Activities:** Any activity or review that is designed to ensure the agreement is used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the agreement, and that agreement performance goals are achieved. Monitoring includes both programmatic and fiscal activities.
10. **Monitoring Tools:** Specifically designed forms or checklists used to perform and document monitoring activities.
11. **Risk Assessment Team:** Personnel responsible for assigning risk to Subrecipients and Subawards.
12. **Sample (for programmatic review):** A percentage of programmatic outcomes are selected and reviewed to validate program compliance. Sample size of outcome data elements (i.e. customers, cases, participation) shall be 10% of the total, with a minimum of 10 or a maximum of 60, or all if less than 10 data elements. Additional data elements may be reviewed if findings are present.
13. **Subaward:** Funding provided to a subrecipient to carry out activities as part of a federal award. A subaward does not include payments to a contractor or benefits provided directly to an individual who is eligible to receive assistance from a federal program. For purposes of this procedure, a subaward is referred to as an agreement.
14. **Subrecipient:** An entity to which an agreement is awarded by DWS to carry out a portion of a Federal Program. For purposes of this procedure, a State agency or component unit of the State that receives a subaward from DWS is also considered a subrecipient. All public colleges and universities, including the applied technology colleges, are component units of the State. A subrecipient is **NOT** a contractor.
15. **Uniform Guidance (2 CFR §200):** The federal uniform administrative requirements, cost principles, and audit requirements for subawards of federal funds to non-federal entities.

PROCEDURES:

1. Subrecipient vs Contractor Determination

- A. Prior to awarding a federally-funded agreement or entering into a federally-funded contract, the Contract Owner completes a Contractor/Subrecipient Determination form and forwards the completed form to the Fiscal Grant Manager for review and approval. A memorandum of understanding (MOU), agreement, or contract that does not involve the exchange of funds is excluded from this requirement. In instances where a state-funded agreement or contract is used for the purposes of meeting federal matching and/or maintenance of effort requirements, the entity should be treated as a subrecipient for purposes of this procedure.



- a. The Subrecipient/Contractor Determination form is included with the Contract Request Form.
- B. If the entity is determined to be a Subrecipient, the agreement is subject to the risk assessment and monitoring requirements outlined in this procedure.
- C. If the entity is determined to be a Contractor, the contract is subject to monitoring requirements outlined in the *Contract Monitoring Procedure*.

2. Pre-Award Risk Assessment

- A. A Pre-Award Risk Assessment is completed for the applicable subrecipient and subaward in accordance with the *Pre-Award Risk Assessment Policy* prior to executing an agreement with the subrecipient.

3. Monitoring Responsibilities

- A. Programmatic monitoring is performed by the Contract Owner and may also include the Contract Analyst, Fiscal Grant Manager or other DWS personnel as deemed necessary to provide reasonable assurance of compliance.
- B. Fiscal monitoring is performed by the Fiscal Grant Manager and may also include the Contract Owner and other DWS personnel as deemed necessary.
- C. When monitoring activities are conducted by a third party, the Contract Owner must outline the monitoring responsibilities for the third party through an MOU or contract. Monitoring activities performed by the third party must demonstrate that the subrecipient has achieved the significant outcomes and deliverables in the agreement.

4. Determine Monitoring Activities

The Contract Owner and Fiscal Grant Manager will complete, at a minimum, all monitoring activities outlined under the applicable subaward risk level below. Division Director (or designee) may approve an exception to the minimum monitoring activities due to unusual circumstances. The exception and approval must be documented and stored in the centralized repository.

Monitoring based on subaward risk level is outlined as follows:

- A. **Low Risk** – Subawards are monitored at a minimum level for programmatic and fiscal compliance.
 - a. **Contract Owners** perform the following:
 - i. Training and technical assistance as needed.
 - ii. Desk review – review of reports or other documentation for reasonableness and satisfactory progress. This may include comparing actual performance against the agreement requirements or the current reporting period to prior periods.
 - iii. Invoice Review – Contract Owners review the invoice to determine whether:
 1. Items/services are provided within the agreement period.
 2. Amounts do not exceed agreement budget categories.
 3. Items/services listed are allowable per the agreement.
 4. Items/services and amounts are necessary and reasonable for the program/project.
 5. Required supporting documentation has been submitted (documentation required is based on subaward risk level).
 - iv. Desk audit of program reporting **once** per agreement year. If agreement is less than a year, one desk audit is required. Desk audit may include:



1. Review of supporting documentation to validate Desk and Invoice Reviews.
 - a. Validation may include reviewing a sample of cases, invoices, detailed documents, or line items and comparing the information to documents submitted during the Desk or Invoice Review.
 - b. **Fiscal Grant Managers** perform the following:
 - i. Training and technical assistance as needed.
 - ii. Invoice reviews – Fiscal Grant Managers review the invoice to determine the following:
 1. Agrees to the subrecipient’s general ledger.
 2. Items/services listed are allowable per agreement and federal award; and
 3. Funds requested for reimbursement do not exceed the total agreement budget.
 - iii. Desk audit of a payment invoice, once per grant year or agreement period, if less than a year, that includes:
 1. Review of supporting documentation to validate invoice.
 2. Documentation of the desk audit in the contract tracking spreadsheet maintained by the Fiscal Grant Manager.
- B. **Medium Risk** – Subawards are monitored for compliance focusing on allowable costs and programming.
 - a. **Contract Owners** perform the following, in addition to all of the requirements outlined under 4(A)a. Low Risk:
 - i. Site visit **once** per agreement year. If agreement is less than a year, one site visit is required.
 1. Site visit may include:
 - a. Review of supporting documentation to validate self-reported information reviewed during desk reviews or invoice reviews.
 - b. Observation of program activities.
 - c. Verifying compliance requirements of a case sample, which may include but is not limited to staff files (i.e., BCI, Code of Conduct) and participant program files.

Note: A desk audit may not be required as indicated under low risk, if self-reported information reviewed during the desk review or invoice review are validated during the site visit(s).
 - b. **Fiscal Grant Managers** perform the following:
 - i. Training and technical assistance as needed.
 - ii. Desk audit of invoices
 1. Require the subrecipient to submit payment request invoice, general ledger and applicable supporting documentation until at least three (3) consecutive payment request invoices have been reviewed and approved without errors
 - iii. Upon successful completion of desk audits described above, invoice reviews and desk audits will follow the requirements outlined under 4(A)b. Low Risk.
- C. **High Risk** – Monitoring for subawards includes a more intense review of financial and program data and reporting.



- a. **Contract Owners** performs the following, in addition to all of the requirements outlined under 4(A)a. Low Risk:
 - i. Site visit **twice** during the agreement year. If agreement is less than a year, one site visit is required.
 1. Site visit may include:
 - a. Review of supporting documentation to validate self-reported information reviewed during desk reviews or invoice reviews;
 - b. Observation of program activities; and
 - c. Verifying compliance requirements of a case sample including but not limited to staff files (i.e., BCI, Code of Conduct) and participant program files.
 - ii. Conduct two desk audits as described in 4(A)b Low Risk.
 1. If agreement is less than a year, one desk audit is required.
 2. A desk audit may not be required if self-reported information reviewed during the desk review or invoice review are validated during the site visits.
 - b. **Fiscal Grant Managers** perform the following:
 - i. Training and technical assistance as needed
 - ii. Desk audit of all invoices – require the Subrecipient to submit payment request invoice, general ledger and applicable supporting documentation for each payment request for review and approval.

5. Develop a Monitoring Plan

- A. The Contract Owner, working with the Contract Analyst, creates a monitoring tool during the development of the agreement. Creation of the monitoring tool may include a review of the scope of work, required outcomes and deliverables, agreement terms, and expectations of the subrecipient. Requirements, including significant outcomes and deliverables, must be included on the monitoring tool.

6. Program Monitoring Results and Response

- A. The Division Director or designee reviews monitoring results.
 - a. The Contract Owner elevates significant deficiencies to the Division Director or designee. Significant deficiencies may include, but are not limited to, the following:
 - i. ongoing lack of compliance;
 - ii. fraud;
 - iii. issues that may cause harm to customers;
 - iv. unmet outcomes;
 - v. or liability concerns.
- B. The Contract Owner may communicate on-site or desk audit monitoring results to the subrecipient as follows:
 - a. If the deliverables, outcomes and agreement requirements **have been met:**
 - i. Communicate results of the monitoring to the subrecipient detailing positive outcomes of the monitoring.
 - b. If the deliverables, outcomes and agreement requirements **have not been met:**
 - i. Provide notification of monitoring results including determination of non-compliance, actions required to become compliant, and due dates to evaluate compliance.



- ii. Follow up with the subrecipient and provide technical assistance as necessary, in order to bring the subrecipient into compliance with the agreement requirements.
 - iii. Contract owner must document all follow up dates and reviews.
 - iv. If lack of compliance continues, the contract owner will consult with the Division Director to determine corrective action, which may include reduction in funding, payment withholding or termination (see *Agreement Termination* procedure).
- C. If the Contract Owner identifies information supporting a potential change in subrecipient or subaward risk level (increase or decrease), they must submit a request for review to the Risk Assessment Team.

7. Program Monitoring Documentation

- A. Contract Owners keep detailed records of monitoring activities and results. Sufficient detail is documented in a manner that monitoring results can be recreated. Documentation should include, but is not limited to, the following:
 - a. Monitoring procedures performed, documentation reviewed, results of monitoring, follow up activities and compliance requirements have been met.
 - b. Who monitored and the dates the monitoring occurred.
 - c. Written justification for departure from DWS *Contract Monitoring Policy*.
 - i. Requires prior approval from Division Director or designee
- B. The Contract Owner provides monitoring documentation, as noted in 7A above, to the Contract Analyst to ensure documents are stored and organized in the contracts folder on the centralized repository. Invoices and associated supporting documents are stored in the State's centralized accounting system (FINET), not the centralized repository.
 - a. All monitoring documents are retained for a period of seven (7) years after agreement termination or until all audits/litigation concerning the agreement have been completed, whichever is later.

8. Quality Control of Monitoring Activities

- A. Program Monitoring

The Division Director or designee conducts quality control reviews of program monitoring activities as considered necessary.

 - a. If deficiencies in program monitoring activities are found, the Division Director or designee will work with the Contract Owner to ensure compliance with monitoring and documentation requirements.
 - b. Results of the quality control reviews are documented and stored with the performance records for the Contract Owner.
- B. Fiscal Monitoring
 - a. The Finance Director or designee conducts quality control reviews of fiscal monitoring activities as considered necessary. If deficiencies in fiscal monitoring activities are found, the Finance Director or designee will work with the Fiscal Grant Manager to ensure compliance with the monitoring and documentation requirements.
 - b. Results of the quality control reviews are documented and stored with the performance records for the Fiscal Grant Manager.