Subrecipient Management and Oversight

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Grant Management Toolbox
Grant Management Toolbox References

SMART Training
Core Monitoring Guide
Technical Assistance Guides
ETA Grantee Handbook
WorkforceGPS Resources

Module Overview

- Definitions and General Responsibilities
- Pre-Subaward
- Post-Subaward: Management of Subrecipients
- Post-Subaward: Monitoring & Oversight
- Post-Subaward: Resolution Process
- Closeout

Definitions

- Pass-through entity (PTE)
  - A non-Federal entity that provides a subaward to a subrecipient to carry out part of a Federal program [2 CFR 200.74]
- Subaward
  - Award provided by a pass-through entity to a subrecipient to carry out part of a Federal award [2 CFR 200.92]
- 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 program. A subrecipient may also be a recipient of other Federal awards directly from a Federal awarding agency [2 CFR 200.93]
Pass-through Entities General Responsibilities

✓ Select responsible subrecipients through risk assessment (2 CFR 200.331)
✓ Conduct monitoring and issue management decisions
✓ Ensure compliance with all grant and subaward terms and conditions
✓ Ensure accurate financial and performance reporting
✓ Meet performance and financial goals
✓ Properly closeout the subaward

Accountability

THEY FAIL, YOU FAIL!
✓ "Pass-through" does not give the entity a "pass" on accountability
✓ Provide funds to a subrecipient 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

Pre-Subaward Phase

✓ Identify the requirements and methods for conducting a risk assessment and selecting subrecipients
✓ Identify specific items required to be in subaward agreements
✓ Identify tools and resources needed to implement an effective monitoring program
Guide to Selecting Subrecipients

Due diligence before the subaward
► Deemed responsible and/or qualified
✓ Pass-through entity's internal controls system
► Written procedures
► Evaluation factors for selecting subrecipients
► Conflict of interest provisions
✓ Risk assessment required 2 CFR 200.331(b)
► Evaluate each subrecipient's risk of noncompliance for purposes of determining the appropriate subrecipient monitoring

Risk Assessment

2 CFR 200.331(b)
✓ For risk of non-compliance required factors:
► Prior experience with same or similar activities
► New personnel or new accounting systems
► Results of Federal agency monitoring
► Results of previous audits performed under Subpart F – Audit Requirements

Risk Assessment (cont.)

✓ Other Factors to Consider:
► History of performance and reporting
► Findings, significant deficiencies, material weaknesses in compliance or audit reports
► Adequacy of internal control structure and budget controls
► Adequacy of written policies and procedures
► Budget controls in place to ensure allowability of costs and analysis of results
► Adequacy of accounting system to account for funds and report results in an accurate and timely manner
► Financial stability (bankruptcy, liens, lawsuits)
► Qualified and sufficient number of staff in place (high turnover in key positions)
► Statement of work with measurable performance goals and timetables

If deemed at risk, consider imposing specific conditions to the agreement?
Core Monitoring Guide
Tool 5 - Risk Assessment Worksheet

Specific Conditions

2 CFR 200.207
- Requiring payments as reimbursements
- Withholding authority to proceed to the next phase
- Requiring more detailed financial reports
- Requiring additional monitoring,
- Requiring the non-Federal entity to obtain technical or training assistance
- Establishing additional prior approvals

Specific Conditions (cont.)

- Notification requirements
  - Nature of the additional requirements
  - Reason why additional requirements are being imposed
  - Nature of the action needed to remove the additional requirement, if applicable
  - Time allowed for completing the actions, if applicable
  - Method for requesting reconsideration of the additional requirements imposed.
- Prompt removal when conditions corrected
Post-Subaward Phase: Management of Subrecipients

- Discuss PTE Management Responsibilities
- Discuss PTE Requirements
- Discuss Reporting Requirements

Management of Subrecipients

Pass-through entities should provide the following to its subrecipients:

- Technical assistance
  - Provide the necessary training.
  - Articulate and explain all Federal, local/State requirements and regulations applicable to the program or grant.
- On-going performance and financial management
  - Monitor progress or program deliverables or performance goals.
  - Examine expenditures to ensure alignment with statement of work or approved budget.

Management of Subrecipients (cont.)

Pass-through entities should provide the following to its subrecipients:

- Financial and performance reporting requirements
  - Establish a system/platform to ensure timely receipt of financial and performance data.
  - Subrecipient’s data is a major component of PTE’s reporting back to Federal award agency.
- Annual review
  - Review of performance and financial information.
  - All subrecipient information must be made available to the pass-through entity and Federal awarding agency.
Pass-through Entity Requirements

2 CFR 200.331

✓ Identify agreement as subaward to subrecipient
✓ Include 13 required items of information
► Subrecipient name (which must match registered name in DUNS)
► Subrecipient’s Data Universal Numbering System (DUNS number)
► Federal Award Identification Number
► Federal Award Date
► Subaward Period of Performance
► Amount of Federal Funds Obligated by this action
► Total Amount of Federal Funds Obligated to the subrecipient;
► Total Amount of the Federal Award;
► Federal award project description
► Name of Federal awarding agency, pass-through entity, and contact information for awarding official,
► CFDA Number and Name;
► Identification of whether the award is R&D; and
► Indirect cost rate for the Federal award

Subaward agreement should identify:
✓ All Federal and PTE requirements to ensure compliance
► Specific conditions per risk assessment
✓ Any additional requirements imposed for the PTE to meet its own responsibility to DOL
✓ Identify required financial and performance reports
✓ Identity indirect cost rate
✓ Access to records
✓ Closeout terms and conditions
✓ Remedies for non-compliance

Remedies for Non-compliance

2 CFR 200.338
✓ Temporarily withhold cash payments
✓ Disallow all or part of the cost of the activity or action not in compliance
✓ Wholly or partly suspend or terminate the Federal award
✓ Initiate suspension or debarment proceedings
✓ Withhold further Federal awards
✓ Take other remedies that may be legally available
Reporting Requirements

✓ Information that must be reported to ETA
  ► Accrued expenditures, obligations, etc.
  ► Program income and leveraged resources
✓ Due dates: meet your own reporting deadlines
✓ Frequency: for effective grant management
✓ Additional data items?
  ► To track program/financial performance
  ► Costs by activities?
  ► Budget and line item restrictions?

Knowledge Check 1 – Questions

1. The pass through entity is not accountable and potentially liable for all of the actions of its subrecipients since they are separate entities. True or False?
2. It is in the pass-through entity’s best interest to identify the items of information and frequency in which reports are submitted by its subrecipients. True or False?
3. Subrecipient management begins during the pre-award phase, and includes a risk assessment and stipulating subaward terms and conditions. True or False?
4. The recipient does not need to have written procedures and evaluation factors for selecting subrecipients, although they are advisable. True or False?
5. An effective oversight system needs to include which of the following?
   a. Oversight policies and procedures
   b. Tools and guides for conducting oversight activities
   c. a and b only
   d. Adequate staffing, knowledgeable monitors and budgetary resources for travel and training
   e. Monthly on-site reviews
   f. Access to information

Knowledge Check 1 – Answers

1. The pass through entity is not accountable and potentially liable for all of the actions of its subrecipients since they are separate entities. False
2. It is in the pass-through entity’s best interest to identify the items of information and frequency in which reports are submitted by its subrecipients. True
3. Subrecipient management begins during the pre-award phase, and includes a risk assessment and stipulating subaward terms and conditions. True
4. The recipient does not need to have written procedures and evaluation factors for selecting subrecipients, although they are advisable. False
5. An effective oversight system needs to include which of the following?
   a. Oversight policies and procedures
   b. Tools and guides for conducting oversight activities
   c. a and b only
   d. Adequate staffing, knowledgeable monitors and budgetary resources for travel and training
   e. Monthly on-site reviews
   f. Access to information
   Answer: a, b, d, and f
Post-Subaward Phase: Monitoring & Oversight

- Discuss PTEs' requirements for monitoring of sub-recipients
- Implement a process for monitoring of subrecipients
- Discuss methods of monitoring
- Issuing reports on monitoring findings

Oversight & Monitoring Requirement

2 CFR 200.331(d)

- 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; and
  - That subaward performance goals are achieved.

Oversight & Monitoring Requirement (cont.)

2 CFR 200.331(d)-(f)

- Pass-through entity monitoring of the subrecipient must include
  - Reviewing financial and programmatic reports
  - Following up to ensure appropriate action on all deficiencies
  - Issuing a management decision for audit findings
- Verify that every subrecipient is audited, if required
Program Statute and Regulations (WIOA)

WIOA contains several provisions related to monitoring requirements

- Requires annual on-site monitoring by the State of local areas.
- Requires each State, each local board, and each recipient receiving funds to make readily accessible such reports concerning its operations (performance) and expenditures.
- Located at 20 CFR 683.400-440

Performance Monitoring

- Non-Federal Entities must submit performance reports comparing
  - Actual accomplishments to award objectives;
  - Unit cost computations if useful;
    - Analysis of cost overruns or high unit costs if appropriate
  - Performance trend data and analysis if informative
    - Include reasons for slippage if objectives not met
- Pass-through entities are required to monitor subrecipients to ensure that subaward performance goals are achieved

What Do I Need to Know to Conduct Monitoring Reviews?

- Uniform Guidance
- Enabling legislation, program regulations, DOL guidance
  - Program activities—allowable and unallowable
  - Cost category restrictions
- Grant Agreement
  - FOA and Notice of Award (cover page)
  - Statement of Work
  - Terms and Conditions
- Audit reports and prior monitoring reports
Monitoring & Oversight Capacity

- Policies and procedures
- Tools and guides
- Staff and resources

Monitoring: Policies and Procedures

Methods (e.g., risk assessment, desk review, on-site), procedures, and activities
Specify who, what, where, when, and how:

- **Who**: Who does the monitoring? Who gets monitored?
- **What gets monitored**: Which functions? Which activities?
- **Where**: What is done remotely? What is done on site?
- **When**: How often? Timeframe for each stage of process?
- **How**: What tools, guides, and formats will be used?
- **How**: How do findings get resolved?
  ▶ Remedies, sanctions, process for appeals and hearings

Monitoring: Tools and Guides

- A risk assessment tool
- Analytical tools that assist staff in reviewing financial and programmatic reports
- Desk monitoring guides
- Customized on-site monitoring guides
- Consider uniform format for monitoring reports and monitoring-related correspondence
Monitoring: Staff and Resources

- Knowledgeable Staff
  - Rules and regulations, award terms and conditions
  - Adequately trained
    - For documenting findings, corrective actions and resolution
    - Report writing skills
- Roles and Responsibilities
- Updated tools
- Necessary resources
- Access to documentation

Monitoring Methods

- Desk monitoring
- Reports review and analysis
- On-site monitoring

Desk Monitoring

- Extremely effective and cost efficient
- Alternative to, preparation for, or supplemental to on-site monitoring
- May lead to on-site monitoring
- Review of collected subrecipient information
  - To get a better sense of ongoing operations
  - To identify and respond to rising issues
  - To focus future onsite reviews
- Should be formally documented
## Reports Review and Analysis

- Assure timeliness and accuracy of reports
- Assess progress in achieving goals
- Identify trends
  - Predict progress
  - Uncover problems
- Coordinate review of fiscal and program reports together
  - Can reveal a more complete picture of overall performance

## On-Site Monitoring

### 2 CFR 200.331(d)
Non-Federal entities must monitor to ensure subaward is:
- Used for authorized purposes
- Operating in compliance with Federal laws and regulations
- Consistent with the terms and conditions of subaward

## Audit vs. Monitoring

**An Audit...**
- Occurs after the end of the fiscal period
- Often takes place after the end of grant
- Report is due not later than nine months after period of performance
- Is corrective and curative

**Monitoring...**
- Is current and immediate
- Is usually performed by pass-through entity staff
- Is preventative
On-site Monitoring Process

Pre-review collection of data and reports

Information and coordination

Perform onsite monitoring

40

Pre-Review Collection of Data and Reports

- Grant documents
  - Scope of work, budget, and narrative
- Organizational chart
- Chart of accounts
- Policies and procedures
- Performance reports
- Expenditure reports and spending rates
- Monitoring reports
- Audit reports

41

Information and Coordination

- Identify risks
- Locate records
- Schedule appointments
- Specify all documents needed
- Hold entrance conference
  - Purpose of review, daily schedule
  - Schedule exit conference
- Hold exit conference as scheduled

42
On-Site Monitoring

- Review systems
- Review policies and procedures
- Interview staff at entity or subrecipient level
- Sample transactions
  - View source documents
- Open-ended questions get better information
- Test internal controls
- Compare all information gathered

Finding

- A finding is any "specific violation of":
  - Program authorization/statute
  - Other applicable Federal statutes
  - Applicable appropriations
  - Implementing regulations
  - OMB Circulars (including 2 CFR part 200 & 2 CFR part 2900)
  - DOL-ETA Directives
  - Terms and conditions of the award
- Always require action to correct the violation
- Documentation of non-compliance is required

Questioned Costs

- Results from a violation or possible violation of:
  - Law
  - Regulation
  - Terms and conditions of a Federal award, or
  - Costs not supported by adequate documentation, or
  - Costs incurred appear unreasonable
- Includes a cost questioned by:
  - An auditor
  - A Federal project officer, or
  - A grant officer
  - Other authorized DOL representative

43
44
45
Observation or Area of Concern

✓ Activities related to effectiveness objectives or indicators have not been met and could possibly result in a finding at some later point if not addressed.
✓ Not specific compliance violations, but may have negatively impacted program or could lead to a finding in the future.
✓ Traditionally, no corrective action is specified but suggestion for improvement may be made.

Exit Meeting

✓ List & provide a brief explanation of potential findings/areas of concern & questioned costs
✓ Summarize additional information that non-Federal entity is to provide
✓ List and provide a brief explanation of promising practices
✓ Discuss time frame for:
  ► Written report
  ► Response

Writing an Effective Monitoring Report

✓ Be timely
✓ Be specific
✓ Be open
✓ Be clear
✓ Be consistent
✓ Be correct
✓ Be convincing
Structure of a Finding – the 4 C’s

- **The 4 C’s**: Condition, criteria, cause, and corrective action
  - Condition: Describe the problem
  - Criteria: Specify regulation/policy in question
  - Cause: Explain why the problem exists
  - Corrective action: Propose needed remedy

Look to the CMG Page 25 for the 4 C’s discussion.

**Finding: Condition**

- **Condition**: Describe and document any conditions that constitute a compliance violation that were 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.

**Finding: Criteria**

- **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 2 CFR 200.313(d)(2) states that at a minimum a physical inventory must be conducted every two years to account for and safeguard assets.
Finding: Cause

✓ **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.

Finding: Corrective Action

✓ **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.

Post-Award: Resolution Process

✓ Discuss the resolution process
✓ Define management decision
✓ Identify remedies for resolving monitoring and audit findings
Resolution Process

- Receive Corrective Action Plan from subrecipient
  - What will subrecipient do and when
  - Who will do it
  - What is the intended outcome
- Questioned Costs
  - Provide missing documentation
  - Make repayment
  - Transfer cost to non-Federal source
- Track until corrective action is completed. Verify on-site if appropriate.
- If action is not completed within required timeframe, determine appropriate actions.

Management Decisions

2 CFR 200.521

- The management decision must clearly state whether or not the audit finding is sustained, the reasons for the decision, and the expected auditee action to repay disallowed costs, make financial adjustments, or take other action.
- This applies to audits and compliance monitoring reports

PTE Management Decision Responsibility

2 CFR 200.331(d)(3)

- Ensure corrective action
- Allow or disallow costs
- Establish debt
- Provide appeal rights
- No prescribed system of resolution in UG
- Issue management decision on audits within 12 months of audit acceptance by Federal Audit Clearinghouse (FAC) 2 CFR 200.21 DOL exception
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

If Corrective Action Is Not Completed (cont.)

WIOA 20 CFR 683.420
✓ The Governor or direct grant recipient is responsible for resolving findings that arise from the monitoring reviews, investigations, other Federal monitoring reviews, and audits.
✓ A State or direct grant recipient must use the audit resolution, debt collection, and appeal procedures that it uses for other Federal grant programs to resolve audits, investigations, monitoring, and oversight findings.
✓ If no such procedures exist, a State or direct grant recipient must prescribe standards and procedures to be used for the grant program.

Remedies for Noncompliance

2 CFR 200.338
Pass-through entity may take action:
✓ Impose specific conditions per 2 CFR 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 grant
✓ Recommend suspension or debarment proceeding be initiated by a Federal awarding agency
✓ Withhold further Federal awards for the project or program
✓ Take other remedies that may be legally available

Consequences of an Ineffective Monitoring Process

✓ Failure to monitor can leave the program open to fraud, waste, and abuse.
✓ Unallowable activities, costs, and ineligible participants may not be found until the award is monitored or audited. Therefore, constant oversight of subrecipients is necessary during the life of the subaward.
✓ Problems that could easily be solved by training or technical assistance will not be detected or resolved.

Knowledge Check 2 – Questions

True or False?
1. The recipient is responsible for issuing management decisions on audit and monitoring findings of its subrecipients.
2. Monitoring methods include report review and analysis, desk monitoring, on-site monitoring, and audit.
3. A questioned cost is subject to disallowance when it is a violation of law, regulation, and subaward terms and conditions.
4. Once the subaward has expired, there is no further need for resolution of findings.
Knowledge Check 2 – Answers

1. The recipient is responsible for issuing management decisions on audit and monitoring findings of its subrecipients. True

2. Monitoring methods include report review and analysis, desk monitoring, on-site monitoring, and audit. True

3. A questioned cost is subject to disallowance when it is a violation of law, regulation, and subaward terms and conditions. True

4. Once the subaward has expired, there is no further need for resolution of findings. False

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Closeout

Definition of Closeout

What is Closeout?

2 CFR 200.16

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 2 CFR 200.343 Closeout.
Core Monitoring Guide – Objective 2.f. Subrecipient Management

- Indicator 2.f.1: Subrecipient and Contractor Determination
  - Has the pass-through entity correctly identified each third-party as a subrecipient or a contractor?

- Indicator 2.f.2: Pre-Award Risk Analysis
  - Does the grant recipient, acting as the PTE, evaluate each subrecipient’s risk of compliance with Federal statutes, regulations, and the terms and conditions of the subaward?

- Indicator 2.f.3: Post Subaward Responsibilities
  - Do subrecipients submit to the PTE all financial reports using an accrual basis?

- Indicator 2.f.4: Subrecipient Monitoring
  - How are corrective action plans for issues/findings resolved?

SMART Checklist

- Subrecipient Management and Oversight
  - Develop criteria to evaluate the risk of noncompliance by each subrecipient prior to a subaward.
  - Update subaward boilerplate terms and conditions to include the Uniform Guidance requirements, including the OMB approved exception at 2 CFR 2900.2 that expands the definition of non-Federal entities to include for-profit and commercial entities.
  - Communicate and specify the items of costs requiring prior approval.
  - Communicate to subrecipients that their accounting systems must provide periodic data on accruals, obligations, expenditures, status of cash advances, and total disbursements.
  - Develop or update procedures to monitor the cash requests and expenses reported by subrecipients to ensure that cash on hand is minimal.

SMART Checklist (cont.)

- Incorporate the Uniform Guidance’s requirements into subrecipient agreements that link performance metrics with effective fiscal accountability.
- Develop a process to review and approve modifications or budget realignment requests by subrecipients in a timely manner.
- Install a process and develop procedures to monitor subrecipients, including those exposed to risk or are identified as high risk.
- Outline steps for timely corrective action of monitoring-related findings and audit findings.
- Develop or update a process to ensure that audits for subrecipients that meet the current threshold for a Single Audit are performed, completed, and submitted to the Federal Audit Clearinghouse (FAC). Monitor subrecipient’s progress in resolving findings affecting the operation of its subaward.
- Develop or update procedures to conduct timely closeouts with subrecipients to include the reconciliation of property, cash, expenditures, and disbursements, including cash advances.
### Module Review
- Definitions and General Responsibilities
- Pre-Subaward
- Post-Subaward: Management of Subrecipients
- Post-Subaward: Monitoring & Oversight
- Post-Subaward: Resolution Process
- Closeout

### Resources
- Core Monitoring Guide
  - Objective 2.f: Subrecipient Management & Oversight
- Grant & Financial Management Technical Assistance Guide
  - Chapter 32: Subrecipient Management and Oversight
- DOL Exceptions
  - 2 CFR Part 2900
    - 2 CFR 2900.3
    - 2 CFR 2900.21
- WIOA Administrative Provisions
  - 2 CFR 683.400-440
- Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards
  - 2 CFR Part 200
    - 2 CFR 200.16
    - 2 CFR 200.74
    - 2 CFR 200.82
    - 2 CFR 200.92
    - 2 CFR 200.207
    - 2 CFR 200.331
    - 2 CFR 200.340
    - 2 CFR 200.343
    - 2 CFR 200.521

### Web Resources
- Want More Training?
  - Workforce GPS's Grants Application and Management Community of Practice
  - Financial Reporting
  - Subrecipient Management and Oversight
  - Indirect Cost Rates
  - Policies and Procedures
  - Procurement and Performance-Based Contracts
  - Capital Assets and More
  - Workforce GPS
- What is the best way to find your local American Job Center (AJC)?
  - See DOL's Service Locator

- Want More Information?
  - DOL/EBSA/Grants
  - Funding Opportunities
  - How to Apply
  - Manage Your Awarded Grant
  - Resources and Information
  - ETA Grantee Handbook
  - Annual Grant Terms Template
  - Core Monitoring Guide
  - Technical Assistance Guides
  - Uniform Guidance Quick Reference Sheet
Remember the Grant Management Toolbox!

Questions?

Please complete your evaluations.