

## Subrecipient Monitoring Guide

The purpose of this subrecipient monitoring guide is to accomplish the following:

1. Ensure state agencies develop sufficient monitoring plans and methods to have proper oversight of subrecipient entities receiving pass-through awards.
2. Define types of subrecipient monitoring.
3. Assist state agency personnel responsible for monitoring awards in selecting the proper monitoring for pass-through awards.
4. Provide tools and suggestions that could be included by the state agency in the monitoring process.

**Note:** State agencies may add additional processes and references to monitoring forms and tools to this guide to meet agency and grant specific monitoring needs.

### Uniform Guidance Requirements Related to Monitoring (2 CFR Chapter I, Chapter II, Part 200 et al.):

#### **200.331 d.1-3**

**(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. Pass-through entity monitoring of the subrecipient must include:

**(1)** Reviewing financial and performance reports required by the pass-through entity.

**(2)** Following-up and ensuring that the subrecipient takes timely and appropriate action on all deficiencies pertaining to the Federal award provided to the subrecipient from the pass-through entity detected through audits, on-site reviews, and other means.

**(3)** Issuing a management decision for audit findings pertaining to the Federal award provided to the subrecipient from the pass-through entity as required by § 200.521 Management decision.

#### **200.331 e.1-3**

**(e)** Depending upon the pass-through entity's assessment of risk posed by the subrecipient (as described in paragraph (b) of this section), the following monitoring tools may be useful for the pass-through entity to ensure proper accountability and compliance with program requirements and achievement of performance goals:

**(1)** Providing subrecipients with training and technical assistance on program-related matters; and

**(2)** Performing on-site reviews of the subrecipient's program operations;

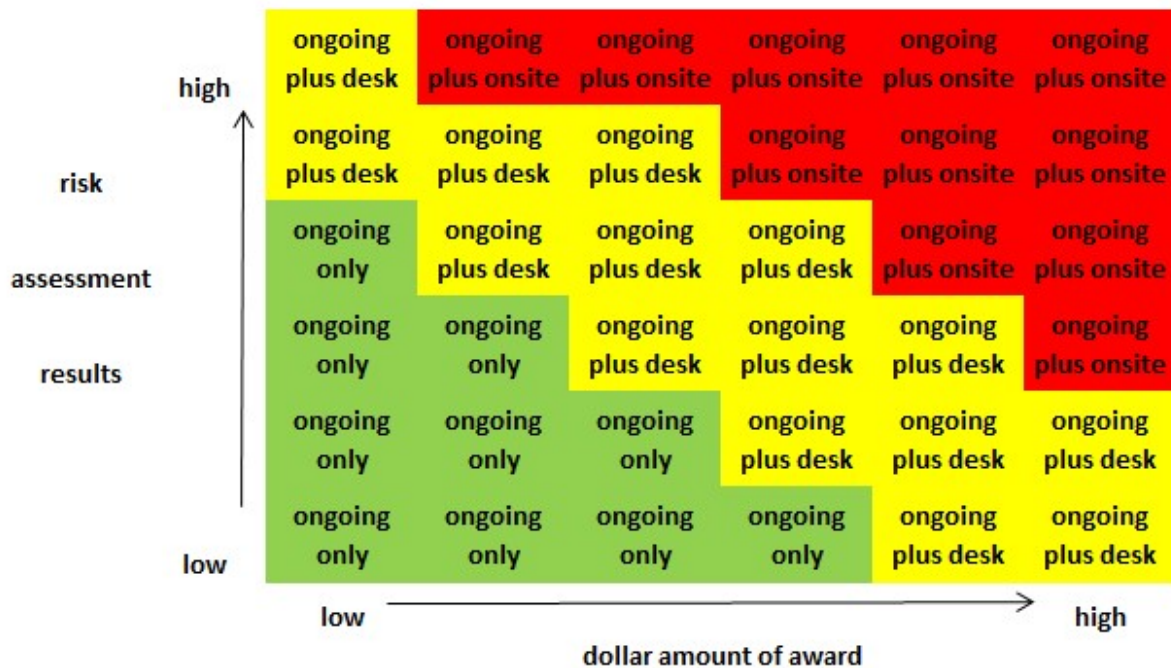
**(3)** Arranging for agreed-upon-procedures engagements as described in § 200.425 Audit services.

1. Each state agency should develop a subrecipient monitoring plan that addresses the following:
  - a. Identify state agency staff responsible to carry out the monitoring plan and monitoring tasks.
    - i. Determine how many resources (staff time) are available to complete monitoring within your agency.
    - ii. Determine how much staff time each type of monitoring will take to complete.
    - iii. Focus resources on the higher areas of risk. For example, if your agency has the resources to complete 5 onsite visits per year and 10 desk reviews, then the awards the agency sees as the highest risk should be the awards reviewed accordingly.
    - iv. Develop a plan to complete the scheduled reviews.
    - v. Develop a method to track the progress to ensure all scheduled desk and onsite reviews are completed.
  - b. Determine the frequency of monitoring.

- c. Consider thresholds for risk and dollar amount.
  - i. Risk level should be determined by the state agency on a pre-award risk assessment form.
  - ii. Dollar amount classifications, such as, high, medium, or low, are encouraged to be established by each state agency. Methods for determining levels should be described.
  - iii. The type of monitoring utilized should depend on risk, but also take into consideration the dollar amount and past performance or experience with the entity, if applicable, and agency resources available to perform reviews.
- d. Develop Action plans for issues identified during any monitoring type. This includes:
  - i. Procedures and policies to escalate monitoring type based on findings.
  - ii. Standard documentation and retention procedures and policies for findings and corrective actions.

Monitoring types have been identified as Ongoing, Desk Review (Offsite), and Onsite. Descriptions and details about each type can be found on the following pages.

The chart is an illustration to reflect how the monitoring plan should be developed weighing risk and dollar amount:



**\*\*Ongoing monitoring will occur throughout the period of performance for all subrecipient awards, however, desk reviews and onsite reviews should be added on awards with medium or high levels of risk or dollar amount, or when the need is identified with ongoing monitoring.**

## **Ongoing Monitoring**

**Definition:** The continuous process of reviewing invoices and documentation by programmatic and financial staff, providing training and technical assistance, and reviewing performance and financial reports throughout the period of performance.

Ongoing monitoring may include the following elements:

1. Invoices and supporting documentation is reviewed by programmatic and financial staff.
  - a. Ensure costs claimed are allowable (2 CFR 200.403), reasonable (2 CFR 200.404), and allocable (2 CFR 200.405):
    - i. Are necessary and reasonable for the performance of both the subrecipient agreement and the Federal award.
    - ii. Are allocated and consistent with the benefit received.
    - iii. Meet the requirements of the Uniform Guidance and the Federal award.
    - iv. Are consistent with policies and procedures of the subrecipient.
    - v. Are identified as direct or indirect and applied consistently.
    - vi. Are in accordance with GAAP.
    - vii. Are not used to meet cost sharing or matching requirements of any other federally financed program.
    - viii. Ordinary and necessary for operation or performance.
    - ix. Comparable to other similar cost rates for the geographical area.
    - x. Procurement method was followed or similar bids or quotes were obtained.
    - xi. Fall within the established practices and policies of the subrecipient.
    - xii. Goods or services involved can be assigned to a specific project or cost objective.
    - xiii. Indirect Cost rates are calculated correctly.
    - xiv. Costs are not charged to the project due to budget restrictions or limitations of other Federal awards.
    - xv. Represent actual costs and not budgeted or projected amounts.
  - b. Direct cost allocation principles. Cost should be allocated to projects based on the proportional benefit, provided that benefit can be determined without undue effort or cost.
2. The subrecipient has proper written policies in place and follows them for:
  - a. Financial Management (2 CFR 200.302)
    - i. Federal awards are tracked separately and can be identified in the subrecipient's accounting records (2 CFR 200.302 b.1).
    - ii. Cash Management (2 CFR 200.302 b.6)
  - b. Travel policy (2 CFR 200.474 a.)
    - i. Costs are reasonable and consistent with entity's established travel policy. If no policy is kept, they must be consistent with rates under 5 USC 5701-11 or 48 CFR 31.205-46(a).
  - c. Procurement policy (2 CFR 200.318)
    - i. Ensure proper method of procurement utilized (2 CFR 200.320).
      1. Require quotes to ensure procurement policies are followed.
    - ii. Require debarment search results for purchases exceeding \$25,000.
    - iii. Track any equipment that costs over \$5,000 (2 CFR 200.313 i).
  - d. Compensation (2 CFR 200.430)

- i. Require time and effort documentation for the reimbursement of personnel expenses.
        - 1. Records should support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one funding objective.
- 3. Provide training and technical assistance throughout the period of performance (2 CFR 200.331 e.1).
  - a. Educate subrecipients on grant guidelines and Uniform Guidance requirements.
  - b. Host workshops prior to or throughout the period of performance to educate subrecipients.
  - c. Invite subrecipients to training or webinars pertinent to the subaward.
- 4. Review performance and financial reports (2 CFR 200.328).
  - a. Ensure performance goals are being achieved.
  - b. Ensure reports are submitted on time.
  - c. Ensure reports are in line with award objectives.
  - d. Ensure performance reports are complete and reasonable.
  - e. Performance reports should include:
    - i. Comparison of actual accomplishments to the objectives established by the federal award;
    - ii. Calculation of the cost related to units of accomplishment;
    - iii. Reasons why established goals were not met;
    - iv. Explanations, if applicable, of high unit costs or cost overruns;
    - v. Significant developments, problems, delays, and adverse conditions; and/or
    - vi. Favorable developments.
  - f. Review Eligibility
    - i. Were participants eligible under the applicable eligibility guidelines?
    - ii. Were participant benefits properly discontinued when the period of eligibility expired?
    - iii. Were program benefits calculated in accordance with program requirements?
- 5. Award Closeout (2 CFR 200.343)
  - a. Review final expenses throughout the period of performance including any final required financial reports.
  - b. Review required programmatic/performance/technical reports and ensure required objectives were achieved to a satisfactory level.
  - c. Document the review of all required closeout documentation.
  - d. Ensure final invoices have been received, processed, and paid.
  - e. Ensure any funds required to be returned for overpayment or improper payments have been received.
  - f. Ensure any issues or discrepancies with financial information are reconciled.
  - g. Notify the subrecipient by mail or e-mail the project has been successfully completed.
    - i. Communicate the award for the performance period is final and closed.
    - ii. Communicate any best practices for future federal awards.

## **Desk Review (offsite) Monitoring**

Definition: When state agency program and financial staff perform a remote review of financial records and analysis of financial and programmatic information, either together or separately. Financial and programmatic data is reviewed by the state agency in their office and may consist of communication by e-mail, mail, teleconference, or video conference.

Desk Review monitoring may include the following elements:

1. Pre-Monitoring work
  - a. Obtain a copy of the subrecipient agreement on file.
  - b. Obtain copies of items collected in ongoing monitoring, such as, vouchers, invoices, monthly reports, and other back-up documentation for payments made to the subrecipient.
  - c. Review federal grant award notice, terms and conditions, programmatic requirements, and compliance supplement for any additional financial and programmatic requirements.
  - d. Review files/notes from prior monitoring.
  - e. Determine if program and financial monitoring will be done together or separately.
    - i. Program staff and financial staff should share information collected during ongoing monitoring.
    - ii. Program staff and financial staff should communicate any special conditions or unique situations associated with the agreement.
    - iii. Program staff and financial staff should determine which areas of monitoring each office will review.
  - f. Notify the subrecipient of the upcoming desk review.
    - i. The state agency should inform the subrecipient they will be monitoring the subrecipient remotely to satisfy the federal monitoring requirement. Communication can be done by mail or e-mail.
    - ii. The state agency should send a form/questionnaire along with the notification for the subrecipient to complete in order to collect required data.
    - iii. Data collected could include items such as:
      1. Definition from the subrecipient of their structure, identification of governing board and key personnel handling management and operational duties.
      2. Copies of policies for programmatic and financial management as required in 2 CFR 200.301 and 2 CFR 200.302 and any additional CFR requirements for the funds being passed through.
      3. Conflict of Interest policy as required in SDCL 1-56-10 and 2 CFR 200.112.
      4. Procurement policies as required in 2 CFR 200.317-200.329.
      5. If the subrecipient passes through any of these dollars to a subrecipient of their entity, and the policies as required in 2 CFR 200.331.
      6. Sample general ledger information.
        - a. List of all transactions for the current agreement or invoicing period.
        - b. Select sample transactions and review source documentation.
      7. Sample of time keeping records and methods of recording time across multiple federal awards (2 CFR 200.430).

8. Plan, data, or documentation on how the subrecipient is carrying out the program objectives of the agreement (2 CFR 200.328).
9. If they met the requirement for a single audit, review single audit information. If they didn't meet the requirement of a single audit, however obtained an independent audit or financial review, then review that information.
10. Copies of travel policy.
11. Budget development and monitoring process.
12. Copies of equipment and inventory as required in 2 CFR 200.313.
  - a. Policy;
  - b. Inventory and Property records; and
  - c. Disposal records.

2. Monitoring Review of information collected

- a. Collect all pre-visit data, copy of agreement, payments, and other documentation to be reviewed.
- b. Schedule a meeting of state agency staff to review the information submitted by the subrecipient in response to the request.
- c. Have an analysis tool or checklist for all staff members to make notes as the information from the subrecipient is reviewed.
- d. The tool or checklist could contain items such as:
  - i. Policies/procedures for the following areas:
    1. Programmatic performance and method by which program objectives are measured as required in 2 CFR 200.328.
      - a. Performance reports should include:
        - i. Comparison of actual accomplishments to the objectives established by the award;
        - ii. The reasons why established goals were not met, if appropriate;
        - iii. Additional pertinent information, such as, analysis and explanation of cost overruns or high unit costs;
        - iv. Significant developments, problems, delays, or adverse conditions; and/or
        - v. Favorable developments.
      - b. Review Eligibility
        - i. Were participants eligible under the applicable eligibility guidelines?
        - ii. Were participant benefits properly discontinued when the period of eligibility expired?
        - iii. Were program benefits calculated in accordance with program requirements?
    2. Mandatory Written Policies/Procedures
      - a. Conflict of Interest (2 CFR 200.112) (2 CFR SDCL 1-56-10)
      - b. Accounting Policy / Cash Management (2 CFR 200.302)
      - c. Travel policy (2 CFR 200.474 a.)
      - d. Procurement (2 CFR 200.317 through 200.326)
        - i. Methods of Procurement (2 CFR 200.320)
        - ii. Equipment definition, inventory, and disposition (2 CFR 200.313)
      - e. Time distribution records (2 CFR 200.430)
      - f. Internal controls (2 CFR 200.303)

- ii. Governing board members and meeting minutes.
- iii. Key personnel performing duties and segregation of duties.
- iv. Audit information supplied.
- v. General ledger listing.
- vi. Sample of payable and receivable source documentation.
- vii. Time keeping records.
- viii. Subrecipient policies if the subrecipient of the state passes the federal dollars to another subrecipient.
- ix. Determine if the conditions of the award are being met.
- e. State agency will follow up with the subrecipient following the meeting for:
  - i. Missing information originally requested;
  - ii. Explanations for areas where the state agency is unclear about what the subrecipient provided; and
  - iii. Additional items needed as a result of the review.
- f. Collect second requested items.
- g. Schedule a meeting of state agency staff to have a second review following the collection of additional information.
- h. Steps 2.e through 2.g should be repeated until the state agency feels all information has been collected and thoroughly reviewed.

### 3. Final Analysis

- a. Upon completion of the desk review, state agency staff involved in the monitoring should:
  - i. Decide course of action to address any issues of non-compliance.
  - ii. Decide on additional monitoring, if needed.
  - iii. Develop a plan of action if additional monitoring is needed.
  - iv. Consider taking enforcement action described in 2 CFR 200.338.
  - v. Management decisions may be issued for audit findings as described in 2 CFR 200.521.
  - vi. Consider whether the state agencies records or financial reports need to be adjusted.
- b. Send the subrecipient notice the monitoring has been completed.
  - i. Include corrective action plan for areas of noncompliance;
  - ii. Include recommendations for areas where performance can be improved; and/or
  - iii. Communicate additional monitoring planned, if applicable.
- c. Assemble a monitoring file and compile all documentation for the monitoring visit and retain in accordance with the state/federal guidance on records retention.

## **Onsite Monitoring**

Definition: When state agency program and financial staff perform an onsite review including review of financial records and analysis of financial and programmatic information, either together or separately, with key personnel of the subrecipient, in person, at the location of the subrecipient .

Onsite monitoring may include the following elements:

1. Pre-Visit work
  - a. Obtain a copy of the subrecipient agreement on file.
  - b. Obtain copies of items collected in ongoing monitoring, such as, vouchers, invoices, monthly reports, and other back-up documentation for payments made to the subrecipient.
  - c. Review federal grant award notice, terms and conditions, programmatic requirements and compliance supplement for any additional financial and programmatic requirements.
  - d. Review files/notes from prior monitoring.
  - e. Review the Risk Assessment completed prior to the agreement.
  - f. Determine if program and financial monitoring will be done together or separately.
    - i. Program staff and financial staff should share information collected in ongoing monitoring.
    - ii. Program staff and financial staff should communicate any special conditions or unique situations associated with the agreement.
    - iii. Program staff and financial staff should determine which areas of the monitoring each office will review.
  - g. Notify the subrecipient of the upcoming monitoring visit.
    - i. The state agency should inform the subrecipient they will be onsite for the visit at the subrecipient's location. Communication can be done by mail or e-mail.
    - ii. The state agency should provide some dates for the subrecipient to select which one best fits their schedule.
    - iii. The state agency should send a form/questionnaire along with the notification for the subrecipient to complete in order to collect some data before the visit.
    - iv. Data collected pre-visit could include items such as:
      1. Definition from the subrecipient of their structure, identification of governing board and key personnel handling management and operational duties.
      2. Copies of policies for programmatic and financial management as required in 2 CFR 200.301 and 2 CFR 200.302 and any additional CFR requirements for the funds being passed through.
      3. Conflict of Interest policy as required in SDCL 1-56-1 and 2 CFR 200.112.
      4. Procurement policies as required in 2 CFR 200.317-200.329.



5. Whether the subrecipient passes through any of these dollars to a subrecipient of their entity and the policies as required in 2 CFR 200.331.
  6. Sample general ledger information.
    - a. Detail list of all transactions for the current agreement or invoicing period.
    - b. Select sample transactions and review source documentation.
  7. Sample of time keeping records and methods of recording time across multiple federal awards as required in 2 CFR 200.430.
  8. Plan, data, or documentation on how the subrecipient is carrying out the program objectives of the agreement as required in 2 CFR 200.328.
    - a. Review Eligibility records
      - i. Were participants eligible under the applicable eligibility guidelines?
      - ii. Were participant benefits properly discontinued when the period of eligibility expired?
      - iii. Were program benefits calculated in accordance with program requirements?
  9. If they met the requirement for a single audit and provide single audit information. If they didn't meet the requirement and had a financial review done, provide copies of that review.
  10. Obtain copy of travel policy as required in 2 CFR 200.474 a.
  11. Internal controls for the award as required in 2 CFR 200.303.
  12. Budget development and monitoring process.
  13. Equipment and Inventory as required in 2 CFR 200.313.
    - a. Policy;
    - b. Inventory and Property records; and
    - c. Disposal records.
  - h. Have an internal meeting of all state agency staff who will be at the visit to review data collected pre-visit and plan the visit.
  - i. Request any information needed from the subrecipient that was missing from their original submission, or any new information as a result of the review meeting.
  - j. Prepare a set of interview questions to ask about program and financial management of federal grants, as well as, touch on the areas in the pre-visit data collected requiring additional explanation.
2. Monitoring Visit
- a. Attend the meeting with the subrecipient.
  - b. Bring along all pre-visit data, copies of contracts, payments, and other documentation needed.
  - c. Have the set of interview questions prepared to cover financial and programmatic areas of the agreement that could include:
    - i. Discuss the uniform guidance requirements of programmatic and financial performance.
    - ii. Discuss budget development and oversight.
    - iii. Interview key personnel about the segregation of duties, internal control procedures, and conflict of interest.
    - iv. Discuss answers provided by the subrecipient in the pre-visit data collection and clarification or additional explanation of areas that were unclear.
    - v. Discuss travel policy, reimbursement process, and limits on per diem and lodging.
    - vi. Discuss procurement policies, inventory procedures, equipment leases, and handling of capital assets.

- vii. Discuss programmatic performance and how objectives are developed and monitored to ensure they are being met.
- viii. Discuss areas with the subrecipient that could be deemed as high risk and ask them their plan to mitigate risk.
- ix. Discuss special conditions of the award and any situations unique to the federal funding.
- x. Offer best practices to improve the subrecipient's performance or financial management.
- xi. Offer guidance and solutions to issues of non-compliance with federal requirements or the terms and conditions of the subrecipient agreement.
- xii. Request additional documentation or follow-up, if needed, to complete the review.

3. Post monitoring work

- a. Collect any documentation or follow-up information that was requested at the onsite visit.
- b. State agency staff involved in the visit should have a post monitoring meeting to review all documentation and ensure all areas of the review were covered. They should also:
  - i. Decide course of action to address any issues of non-compliance;
  - ii. Decide on additional monitoring, if needed;
  - iii. Develop a plan of action if additional monitoring is needed;
  - iv. Consider taking enforcement action described in 2 CFR 200.338;
  - v. Management decisions may be issued for audit findings as described in 2 CFR 200.521; and
  - vi. Consider whether the state agencies records or financial reports need to be adjusted.
- c. Send the subrecipient notice the monitoring has been completed.
  - i. Include corrective action plan for areas of noncompliance;
  - ii. Include recommendations for areas where performance can be improved; and
  - iii. Communicate additional monitoring planned, if applicable.
- d. Assemble a monitoring file and compile all documentation for the monitoring visit and retain in accordance with the state/federal guidance on records retention.