

SUBRECIPIENT MONITORING

Control Objectives

To provide reasonable assurance that federal award information and compliance requirements are identified to subrecipients, subrecipient activities are monitored, subrecipient audit findings are resolved, and the impact of any subrecipient noncompliance on the pass-through entity is evaluated. Also, the pass-through entity should perform procedures to provide reasonable assurance that the subrecipient obtained required audits and takes appropriate corrective action on audit findings.

Control Environment

- Establishment of “tone at the top” of management’s commitment to monitoring subrecipients.
- Management’s intolerance of overriding established procedures to monitor subrecipients.
- Entity’s organizational structure and its ability to provide the necessary information flow to monitor subrecipients are adequate.
- Sufficient resources dedicated to subrecipient monitoring.
- Knowledge, skills, and abilities needed to accomplish subrecipient monitoring tasks defined.
- Individuals performing subrecipient monitoring possess knowledge, skills, and abilities required.
- Subrecipients demonstrate that:
 - a. They are willing and able to comply with the requirements of the award, and
 - b. They have accounting systems, including the use of applicable cost principles, and internal control systems adequate to administer the award.

- Appropriate sanctions taken for subrecipient noncompliance.

Risk Assessment

- Key managers understand the subrecipient’s environment, systems, and controls sufficient to identify the level and methods of monitoring required.
- Mechanisms exist to identify risks arising from external sources affecting subrecipients, such as risks related to:
 - a. Economic conditions.
 - b. Political conditions.
 - c. Regulatory changes.
 - d. Unreliable information.
- Mechanisms exist to identify and react to changes in subrecipients, such as:
 - a. Financial problems that could lead to diversion of grant funds,
 - b. Loss of essential personnel,
 - c. Loss of license or accreditation to operate program,
 - d. Rapid growth,
 - e. New activities, products, or services, and
 - f. Organizational restructuring.

Control Activities

- Identify to subrecipients the federal award information (e.g., CFDA title and number, award name, name of federal agency, amount of award) and applicable compliance requirements.
- Include in agreements with subrecipients the requirement to comply with the compliance requirements applicable to the federal program, including the audit requirements of OMB Circular A-133.
- Subrecipients’ compliance with audit requirements monitored using techniques such as the following:

SUBRECIPIENT MONITORING

- a. Determining by inquiry and discussions whether subrecipient met thresholds requiring an audit under OMB Circular A-133;
 - b. If an audit is required, assuring that the subrecipient submits the report, report package or the documents required by OMB circulars and/or recipient's requirements; and
 - c. If a subrecipient was required to obtain an audit in accordance with OMB Circular A-133 but did not do so, following up with the subrecipient until the audit is completed. Taking appropriate actions such as withholding further funding until the subrecipient meets the audit requirements.
- Subrecipient's compliance with federal program requirements monitored using such techniques as the following:
 - a. Issuing timely management decisions for audit and monitoring findings to inform the subrecipient whether the corrective action planned is acceptable.
 - b. Maintaining a system to track and follow-up on reported deficiencies related to programs funded by the recipient and ensure that timely corrective action is taken.
 - c. Regular contacts with subrecipients and appropriate inquiries concerning the federal program.
 - d. Reviewing subrecipient reports and following-up on areas of concern.
 - e. Monitoring subrecipient budgets.
 - f. Performing site visits to subrecipients to review financial and programmatic records and observe operations.
 - g. Offering subrecipients technical assistance where needed.
 - Official written policies and procedures exist establishing:
 - a. Communication of federal award requirements to subrecipients.
 - b. Responsibilities for monitoring subrecipients.
 - c. Process and procedures for monitoring.
 - d. Methodology for resolving findings of subrecipient noncompliance or weaknesses in internal control.
 - e. Requirements for and processing of subrecipient audits, including appropriate adjustment of pass-through entity's accounts.

Information and Communication

- Standard award documents used by the non-federal entity contain:
 - a. A listing of federal requirements that the subrecipient must follow. Items can be specifically listed in the award document, attached as an exhibit to the document, or incorporated by reference to specific criteria.
 - b. The description and program number for each program as stated in the CFDA. If the program funds include pass-through funds from another recipient, the pass-through program information should also be identified.
 - c. A statement signed by an official of the subrecipient, stating that the subrecipient was informed of, understands, and agrees to comply with the applicable compliance requirements.

SUBRECIPIENT MONITORING

- A record-keeping system is in place to assure that documentation is retained for the time period required by the recipient.
- Procedures are in place to provide channels for subrecipients to communicate concerns to the pass-through entity.

Monitoring

- Establish a tracking system to assure timely submission of required reporting, such as: financial reports, performance reports, audit reports, on-site monitoring reviews of subrecipients, and timely resolution of audit findings.
- Supervisory reviews performed to determine the adequacy of subrecipient monitoring.