North Carolina Pandemic Recovery Office (NCPRO)

Technical Assistance

Subrecipient Monitoring at Closeout

Session 3 | June 18, 2026

Agenda

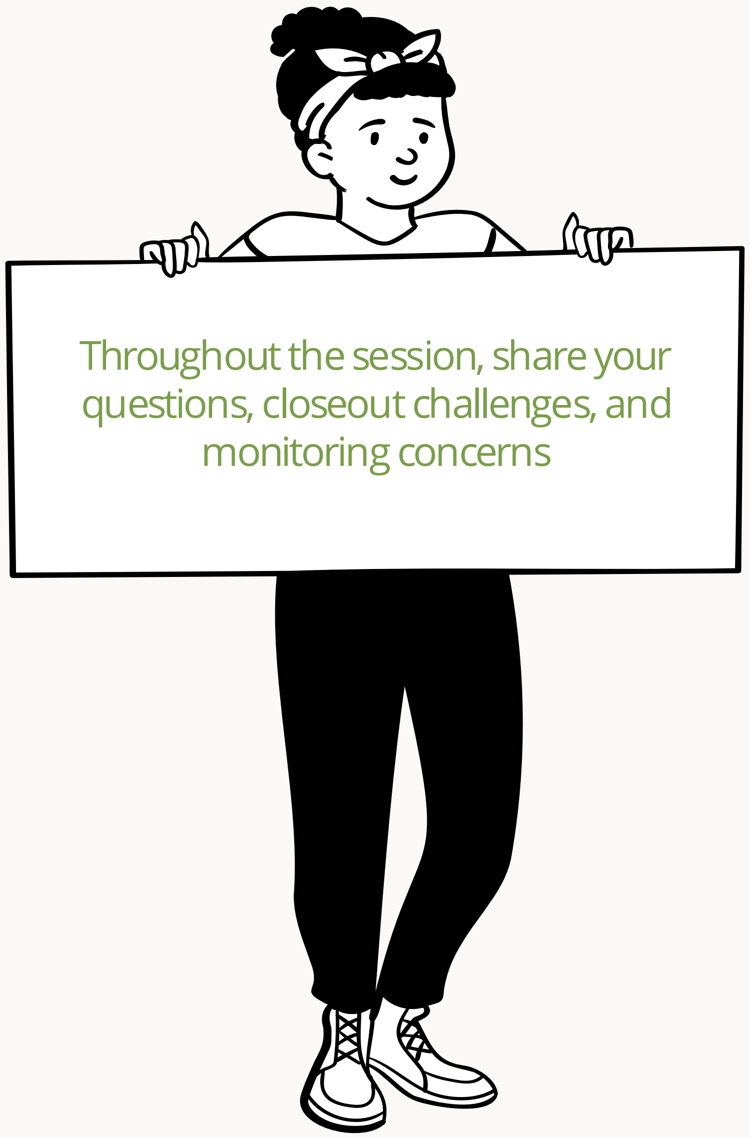
1. **Setting the Table**
   Who's in the room, which standards apply, and how closeout shifts the monitoring lens

2. **What Makes Subrecipient Monitoring Difficult**
   Common operational causes of gaps in monitoring files

3. **Case Scenarios**
   Common closeout issues and how to address them

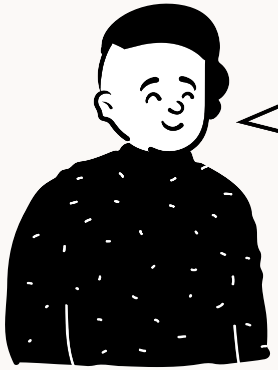
4. **Build a Remediation Plan**
   Classify monitoring files and identify next steps

5. **Closing**
   Resources, escalation paths, knowledge checks, and Q&A



Setting the Table

Why We're Here



Each of you represents a **pass-through entity (PTE),** an organization responsible for distributing federal funds to subrecipients to deliver critical program outcomes. As you prepare for closeout, you're navigating one of the most challenging areas of grant compliance: subrecipient monitoring. In this session, we'll dive into common pitfalls, share leading practices, and learn from each other's experiences in a **small-group setting**.

Administering Agencies

Your monitoring framework:

- North Carolina General Statutes (NCGS) § 143C-6-23
- 09 NC Administrative Code (NCAC) 03M .0401
- Memorandum of Understanding (MOU)
- NCPRO Subrecipient Monitoring Handbook
- Internal Policies and Procedures

Your closeout focus:

- Does your monitoring file demonstrate:
  - What oversight responsibilities applied
  - What risk-based monitoring was required
  - What monitoring activities were performed
  - Whether findings were documented and resolved

NCPRO Direct Subrecipients

Your monitoring framework:

- 09 NCAC 03M .0202
- 09 NCAC 03M .0703
- Award Agreement
- Internal Policies and Procedures

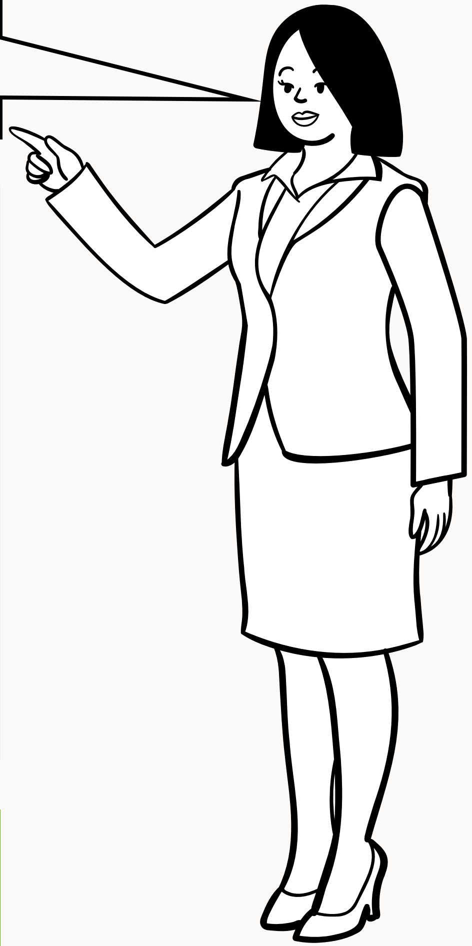
Your closeout focus:

- Does your monitoring file demonstrate:
  - What oversight responsibilities applied
  - What your agreement or policies required
  - What monitoring activities were performed
  - Whether findings were documented and resolved

The governing authorities differ, but all PTEs are expected to maintain specific oversight, documentation, and internal controls.

Monitoring Through a Closeout Lens

During the award period, monitoring is an ongoing activity. It includes tracking subrecipient activities, managing changes, reviewing compliance, and documenting findings. At closeout, the file must show what was done, how issues were resolved, and that the work is complete and supported.



During the award period:

- Check in with subrecipients
- Conduct ongoing monitoring
- Identify and document compliance issues
- Provide technical assistance
- Process funding, scope, and/or timeline changes
- Track compliance issues through remediation
- Maintain supporting documentation

At closeout, the file must show:

- Evidence that check-ins occurred
- Evidence that review occurred and when
- How compliance issues were communicated
- Changes were documented and approved ; if applicable
- Compliance issues were resolved
- Closeout file is complete and supportable

Why this matters: Your own closeout generally depends on the completeness of your subrecipient files. Before performing closeout activities, you should confirm that expenditures are reconciled to final financial reports, monitoring is documented, compliance issues are resolved, and all required closeout materials are on file.

The Monitoring Landscape

Revenue Replacement vs. Non-Revenue Replacement

The U.S. Treasury guidance simplifies certain federal compliance obligations for **revenue replacement funds**, including PTE subrecipient monitoring requirements under 2 Code of Federal Regulations (CFR) 200.332. However, all PTEs must still comply with applicable state laws and regulations, award terms, NCPRO monitoring procedures outlined in the NCPRO Standard Operating Procedures, internal controls under 2 CFR 200.303, and their internal policies.

For **non-revenue replacement funds**, PTE requirements under 2 CFR 200.332 apply in full.

The NCPRO Subrecipient Monitoring Handbook

The NCPRO Subrecipient Monitoring Handbook (handbook) is the subrecipient monitoring procedure for administering agencies. It outlines a risk-based tiered approach, displayed below.

Risk Level	Monitoring Approach
Low	Accountability Calls + Reporting Reviews
Medium	Accountability Calls + Desk Reviews
High	Accountability Calls + On-Site Reviews

*As **Direct Subrecipients**, you can use NCPRO's Subrecipient Monitoring Handbook to benchmark and strengthen your own monitoring policies against NCPRO's standard for adequate oversight under applicable federal and state requirements. The handbook can also serve as a model where written policies are still being developed, supporting oversight that is both reasonable and well documented.*

What Makes Subrecipient Monitoring Difficult

Why Does Oversight Break Down in Subrecipient Monitoring?

How many patterns can our group identify? Let's see how many we can name. Each valid answer earns points based on difficulty, with bonus points for those not included in the presentation deck.

10	10
15	15
25	25

Common Closeout Challenges

1 **Staff Turnover**
—the monitoring gaps were not identified until closeout
—identify the gap periods and available supporting evidence

2 **Competing Priorities**
—the monitoring had periods of limited oversight
—document activities performed, whether formal or informal

3 **Assumption of Trust**
—independent monitoring was limited
—complete a final monitoring review at closeout, if feasible*

4 **Plan without Execution**
—the monitoring plan was never implemented
—complete a final monitoring review at closeout, if feasible*

5 **Confusion about What Counts**
—the monitoring had little evidence of formal oversight
—reconstruct the record using emails, calendars, and reports

6 **Project Changes**
—a potential balance sheet reconciliation issue was identified
—document prior authorized changes via written amendments

Audit Insight: A state government received a repeat audit finding for insufficient documentation of State Fiscal Recovery Funds (SFRF) subrecipient monitoring, despite passing through approximately $200 million. The issue was not whether oversight occurred, but whether the state could prove it. The same risk applies here: if monitoring responsibilities are not clearly documented, auditors may conclude they were not performed. **If those gaps remain at closeout, what are the implications**?

** When a complete final monitoring review at closeout is not practical, document the steps taken and discuss available options with your NCPRO Grant Manager.*

Case Scenarios

The Missing Paper Trail

THE FACTS

The PTE held regular calls with its subrecipient throughout the award period, reviewed quarterly financial reports, and followed up on questions by email. However, the monitoring file contains no call notes, formal review summaries, or monitoring letters. As a result, although the PTE believes it performed appropriate monitoring, the closeout file provides little auditable evidence that those activities occurred.

Review the facts: *What are the compliance issues and what would you recommend?*

COMPLIANCE ANALYSIS

- Subrecipient monitoring likely occurred, and the evidence may exist. It's just likely decentralized.
    - Search emails, calendars, shared drives, and reports for records created at the time.
- Write a monitoring memo that follows the most stringent subrecipient monitoring rules that apply.
    - Have the person who performed the monitoring sign and date the memo.
    - Confirm that the memo notes were put together from existing records during closeout.
        - Any reconstructed documentation must point back to the original records.

The Mismatched Risk Response

THE FACTS

At the start of the SFRF project, the PTE formally adopted NCPRO's Subrecipient Monitoring Handbook as its subrecipient monitoring policy. After completing the handbook's risk assessment scorecard, the PTE classified the subrecipient as high risk. However, during the award period, the PTE conducted only accountability calls and did not perform the on-site review required for high-risk subrecipients under the handbook.

Review the facts: *What are the compliance issues and what would you recommend?*

COMPLIANCE ANALYSIS

- A risk assessment sets the expectation that monitoring will match the assigned risk level.
  - If subrecipient monitoring activities do not match the assigned risk level, auditors may question whether your organization's internal controls were effectively designed or implemented.
    - If feasible, complete and document an on-site monitoring review now as a closeout monitoring step under the most stringent subrecipient monitoring rules that apply.
    - If an on-site review is not feasible, document the monitoring activities that were performed, acknowledge the gap, assess any unresolved risk, and discuss with your NCPRO Grant Manager.

The Unamended Subaward

THE FACTS

Midway through the project, the PTE increased the subrecipient's funding by $200,000 and expanded the scope of work without executing an amendment to the existing subaward agreement. At closeout, the PTE's Closeout Balance Sheet reflected payments exceeding the amount authorized by the agreement on file, and the subrecipient's actual work did not fully align with the documented scope.

Review the facts: *What are the compliance issues and what would you recommend?*

COMPLIANCE ANALYSIS

- The subaward documentation does not match the project's actual finances or programmatic activities, which could create a reconciliation issue on the entity's Closeout Balance Sheet.
  - If the funding increase and scope expansion were approved and implemented but never formally documented, work with your team to execute a written amendment to the subaward agreement now.
  - The amendment should memorialize all previously authorized changes, including:
    - Effective dates, updated scope of work, revised budget, and updated award amount.
  - If documentation is incomplete, document the gap and discuss with your NCPRO Grant Manager.

The Abandoned Finding

THE FACTS

The PTE identified compliance issues during a desk review and issued a post-monitoring letter to the subrecipient. Although the subrecipient acknowledged the findings, it did not submit a corrective action plan, and the PTE did not perform follow-up procedures to verify whether the issues were addressed. As a result, 18 months later, the findings remain unresolved and no corrective action has been implemented.

Review the facts: *What are the compliance issues and what would you recommend?*

COMPLIANCE ANALYSIS

- Documented noncompliance without evidence of follow-up or resolution creates a significant potential closeout and audit risk because the file shows the issue was identified but not resolved.
- NCPRO's handbook requires monitoring findings from an annual review to be resolved within 30 days.
    - That deadline has long since passed.
    - Similar policies and procedures typically impose comparable resolution timeframes.
- Reopen the finding immediately and issue written notice establishing a new response deadline.
    - If the subrecipient does not respond, consider escalation.

Build a Remediation Plan

Where We Are

For each subrecipient you monitor, your file may tell one of three stories:

1 “We Did It Right”

—risk assessments completed; monitoring matched the risk tier

—documentation on file.; findings resolved

2 “We Have Gaps, But We’re Fixing Them”

—risk assessments or monitoring activities were incomplete, but the gaps were identified

—documentation is being updated and corrective actions are in progress

3 “We Have Significant Gaps and Need Help”

—risk assessments or monitoring activities were incomplete and significant gaps remain

—documentation is limited and additional support is needed to resolve findings

Closing

Knowledge Check No. 1

A PTE classified a subrecipient as high-risk in its risk assessment but limited its monitoring during the award period to accountability calls only. At closeout, what potential compliance issue does this raise?

A. **The PTE should not have assigned a high-risk rating**

B. **The subrecipient monitoring activities did not align with the risk determination**

C. **Accountability calls are never acceptable subrecipient monitoring activities**

D. **The PTE should delete the risk assessment from its files**

Knowledge Check No. 2

At closeout, a PTE determines that monitoring activities had taken place but were never documented. Which response is recommended?

- **A** Ignore the documentation issue if the subrecipient ultimately completed the work
- **B** Draft new monitoring letters and backdate them to the original review period
- **C** Compile reconstructed monitoring summaries using existing records and document the process
- **D** The PTE should delete incomplete records to avoid confusion during review

Knowledge Check No. 3

Which situation most likely calls for escalation to a NCPRO Grant Manager before closeout?

A. **Monitoring documentation is complete but not well organized**

B. **A subrecipient submitted reports late but ultimately complied with reporting requirements**

C. **The PTE identified significant noncompliance over a year ago, and no resolution exists**

D. **The PTE's internal monitoring checklist is missing a required signature**

Q+A
Session