



**NCPRO**

**NC Pandemic Recovery Office**

# ARPA State Fiscal Recovery Funds

*State Agency Working Group*

June 9, 2022

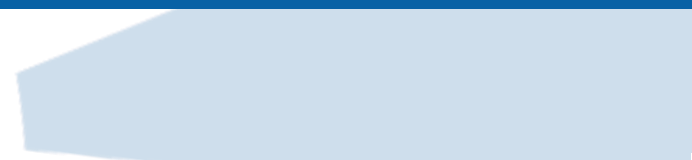
# Agenda

1. Welcome
2. Monitoring of Subrecipients
3. Next Steps
4. Optional Office Hours for Q&A



# Subrecipient Monitoring

Bennie Aiken, NCPRO



# *Subrecipient Monitoring*

***What?***

***Why?***

***How? (Tools)***

# *Subrecipient Monitoring*

**DOCUMENT! DOCUMENT! DOCUMENT!**

# *Subrecipient Monitoring*

## **Law**

### **Uniform Guidance for Federal Awards - 2 CFR Part 200**

§ 200.331 Subrecipient and contractor determinations.

§ 200.332 Requirements for pass-through entities.

# *Subrecipient Monitoring*

## **Purpose**

Section [200.332](#) of the Office of Management and Budget (OMB) Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards ([2 CFR 200](#)) (the “Uniform Guidance”), requires pass-through entities (the Administering Agencies) to:

# *Subrecipient Monitoring*

## **Purpose**

- *Evaluate each subrecipient's risk of noncompliance to determine the appropriate level of monitoring to apply to each subrecipient*
- *Monitor the activities of subrecipient organizations to help ensure that sub-awards follow applicable federal statutes and regulations and terms of the sub-award*
- *Verify that subrecipients are audited as required by Subpart F of the Uniform Guidance.*



# *Subrecipient Monitoring*

## Actions

- *Perform risk assessments*
- *Monitor for compliance with regulations*
- *Verify that subrecipients are audited*

# *Subrecipient Monitoring*

## ***“Subrecipient Monitoring Procedures Handbook”***

The State of North Carolina and its Administering Agencies are the direct recipients of State Fiscal Recovery Funds (SFRF) under the American Rescue Plan Act (ARPA), and are required to provide evidence of due diligence in assessing each subrecipient’s capabilities and processes required to meet the objectives of the sub-award and account for the use of the grantor's funds.

# *Subrecipient Monitoring*

## *Definitions*

# *Subrecipient Monitoring*

- *Administering Agencies* are SFRF prime recipients, or pass-through entities, as defined under [2 CFR 200.1](#). Administering Agencies are required to manage and monitor their subrecipients to assess their compliance with requirements of the SFRF requirements for pass-through entities (see [2 CFR 200.332](#)).

(Pass-through entities are non-federal entity that provides a federal award to a subrecipient to carry out a federal program; sometimes referred to as the “prime” or “lead” organization.)

# *Subrecipient Monitoring*

- *Subrecipients* are entities that receive subawards from the prime recipients, or pass-through, entities (Administering Agencies). The subrecipient operates under an agreement or contract with the recipient to carry out a funded project.

# *Subrecipient Monitoring*

- Monitoring is an ongoing process that assesses the quality of a subrecipient's performance over a period of time.
- Monitoring provides information about program participants that is critical for making informed judgments about program effectiveness and management efficiency.
- Monitoring may also help identify potential fraud, waste and abuse.

# *Subrecipient Monitoring*

- Monitoring is an opportunity to:
  - Provide technical assistance
  - Strengthen collaborative relationships
  - Understand the business
  - Enhance performance outcomes

# *Subrecipient Monitoring*

## Types of Monitoring

- *Administrative and Financial Monitoring* ensures that subrecipients are implementing and managing the program correctly.
  - Tracking funds; following proper accounting and record-keeping procedures; managing finances in compliance with regulations (2 CFR 200, Uniform Guidance)
- *Program Monitoring* ensures efficient performance procedures.
- *Project Monitoring* ensures all projects (activities) follow applicable regulatory requirements.



# *Subrecipient Monitoring*

**DOCUMENT! DOCUMENT! DOCUMENT!**

# *Subrecipient Monitoring*

*ADMINISTERING AGENCIES ROLES AND RESPONSIBILITIES*

*(SELECTED EXAMPLES)*

# *Subrecipient Monitoring*

- Subrecipient monitoring training
- Distinguish subrecipients, beneficiaries, contractors
- Unique Entity Identifier (UEI) Number (TIN if necessary)
- Debarred or suspended (federal and state)
- Execute Memorandum of Understanding
- Budget
- Financial Reports
- Organizational Chart
- Policies and Procedures

# *Subrecipient Monitoring*

## Risk Assessments

### **Purpose:**

A risk assessment is a way to evaluate the potential financial and compliance risk of a subrecipient. Several factors should be considered when determining the level of risk associated with a subrecipient. This will help assess risk and dictates the monitoring plan for subrecipients.

# *Subrecipient Monitoring*

## Risk Assessments

### **Procedures**

At a minimum, the Administering Agency should perform the following to determine a risk rating for each subrecipient:

- Review Single Audit of subrecipient organization
- Review previous financial and programmatic performance
- Assess subrecipient's previous grant experience
  - Adequacy of personnel
- Assess adequacy of subrecipient's policies, procedures, systems
- Use NCPRO provided *List of Items Needed for assessment*
- Complete *Risk Assessment Scorecard*

# *Subrecipient Monitoring*

## Risk Assessments

### **Ranking:**

- Low Risk
- Medium Risk
- High Risk

# *Subrecipient Monitoring*

## Risk Assessments

### **Monitoring Determination:**

- Low Risk – Accountability Calls and Reporting Reviews
- Medium Risk – Accountability Calls and Desk Reviews
- High Risk – Accountability Calls and On-Site Monitoring Visits

In summary, the higher the risk, the higher the audit risk (i.e., higher risk of material weakness and material noncompliance). Subrecipient monitoring reduces the risk of doing business with an external entity. As part of the State's annual Single Audit, auditors will test the Administering Agency's compliance with federal laws that require monitoring subrecipients.

# *Subrecipient Monitoring*

## Risk Assessments

Administering Agencies shall conduct Annual Reviews of each subrecipient. Administering Agencies must complete an annual on-site review of every high-risk subrecipient. For medium and low risk subrecipients, the Administering Agency shall conduct a desk audit/virtual review of a random sample of subrecipients. For low and medium risk subrecipients, the Administering Agency should determine the sample size based on the results of its on-going monitoring of the subrecipients.



# *Subrecipient Monitoring*

## **Perform monitoring**

**Use the tools provided in the NCPRO Monitoring Handbook**

- Procedures
- Lists of items to obtain for review
- Checklists (step-by-step guides)
- Other References

# *Subrecipient Monitoring*

## **Perform monitoring**

- Must monitor subrecipient activities to ensure subaward:
  - Used for authorized purposes
  - Compliance with requirements
  - Performance goal achievement
- Monitoring must include:
  - Reviewing required financial and performance reports
  - Ensuring deficiency corrective actions
  - Issuing a management decision for audit findings pertaining to the SFRF award

# *Subrecipient Monitoring*

## **Perform monitoring**

Must consider enforcement action against noncompliant subrecipients

- Potential enforcement actions include:
  - Temporary payment withholding
  - Disallowance of noncompliant (unallowable) cost
  - Award suspension or termination
  - Recommendation of suspension or debarment
  - Withhold further awards
  - Other legal remedies

# *Subrecipient Monitoring*

*ADMINISTERING AGENCIES ROLES AND RESPONSIBILITIES*

*(SELECTED EXAMPLES)*

# *Subrecipient Monitoring*

- Ensure assess to subrecipient's financial records (2 CFR 200 required)
- Request subrecipients sign a document acknowledging the receipt award conditions
- Take prompt action when instances of noncompliance are identified.
- Take reasonable measures to safeguard sensitive information
- Communicate with subrecipients on a regular basis, via Accountability Calls
- Document and retain communications regarding project performance
- Report any significant issues to NCPRO

# *Subrecipient Monitoring*

**DOCUMENT! DOCUMENT! DOCUMENT!**

# Definitions and Requirements

## **Federal and state administrative codes define key terms:**

- Subrecipient – entity that receives financial assistance to carry out a project
- Beneficiary – individual or entity receiving funds for the purpose of directly benefitting the individual or entity as a result of experiencing a public health impact or negative economic impact of the pandemic
- Contractor – entity that is under contract to provide a service for a recipient or subrecipient

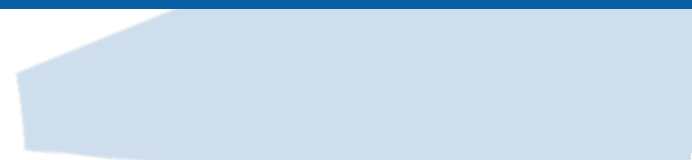
## **Why do these distinctions matter?**

- Subrecipients are subject to subrecipient monitoring and reporting requirements
- Beneficiaries are not subject to subrecipient monitoring and reporting requirements.
- Contractors hired by recipients and subrecipients are subject to federal and state procurement rules



# Next Steps

Andy MacCracken, NCPRO





# Next Steps & Reminders

1. End of year payment requests
  - All SFRF payments for FY22 must be submitted in PANGRAM by **3:00 PM on Friday, June 24**
  - Requests after that date will process the first week of July
2. Calendar Adjustments - Upcoming meetings are:
  - June 16 (Discussing Reporting)
  - June 30
  - July 14
3. SOG Learning Community upcoming dates:
  - July 13 at 1pm
  - August 17 at 1pm