



North Carolina Pandemic Recovery Office (NCPRO)

Technical Assistance Training
May 8, 2025

02

**Pass-Through Entity
Requirements**

Agenda

1 | Overview

2 | Applicable Regulations

3 | Knowledge Check

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Overview



Pass-Through Entities

What is a Pass-Through Entity (PTE)?

A Pass-Through Entity (PTE) is a non-federal entity that provides federal awards to a subrecipient to carry out a federal program. For the scope of the State Fiscal Recovery Fund (SFRF), NCPRO, state agencies, and subrecipients are PTEs. The PTE receives grant funds from a primary funding source (grantor) and then awards the funds to subrecipients.

Why is it important?

According to 09 NCAC 03M, a PTE is responsible for identifying subawards, evaluating the risk of Subrecipient non-compliance, monitoring Subrecipients to facilitate closeout activities, and meeting federal and state audit requirements. Pass-Through Entities have deep local insights, allowing them to effectively manage and distribute funds where federal agencies lack presence, facilitating compliance and an efficient use of funds.

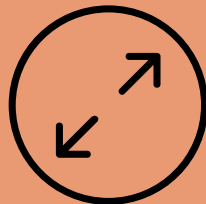


Benefits of PTEs:

Pass-through funding offers multiple benefits to the federal government and grant recipients, including the following:

Efficiency and Flexibility

PTEs channel resources quickly to recipients without direct federal involvement. They leverage local expertise, experience, and relationships to allocate funds based on existing needs and priorities. PTEs can distribute funds locally as they see fit, provided they adhere to federal and state requirements.



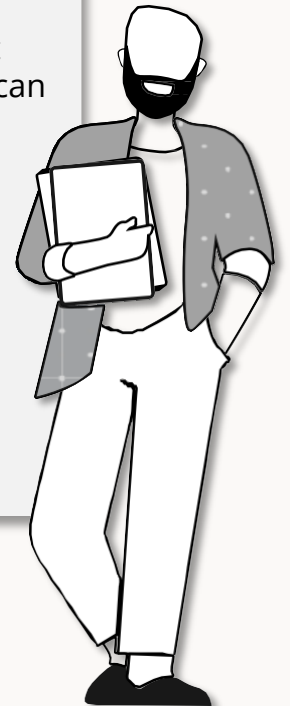
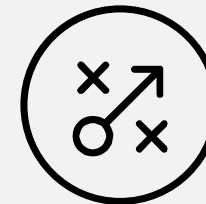
Increased impact

PTEs allow the federal government and agencies to reach individuals and organizations without direct funding or limited access to financial resources. By leveraging PTEs on-the-ground experience and local knowledge, grants can reach more people and communities than direct funding, supporting effective and impactful distribution.



Risk Mitigation

Public initiatives often require local knowledge for effective execution. PTEs allow federal agencies to avoid the complexities and risks associated with executing such projects. By partnering with intermediary organizations that possess local experience, PTEs can produce better outcomes and reduce risk.



Key Elements of Pass-Through Entities

1. Written Agreement

- Prior to receiving grant funds, the PTE shall sign a contract with the subrecipient, inclusive of applicable terms and conditions and obligations for each party
- **Applicable Regulations:** 09 NCAC 03M .0401, 2 CFR § 200.332, and Federal Grant and Cooperative Agreement Act
- **Leading Practices:**
 - Timely execution of subaward agreements

2. Develop a Risk Assessment

- Evaluate each subrecipient's risk of non-compliance with federal and state requirements and terms and conditions of the subaward
- A subrecipient's risk-level dictates the monitoring treatment. There are three distinct processes:
 - Design weighted risk criteria also known as 'indicators'
 - Data collection and analysis
 - Review outputs and make risk-level determinations
- **Applicable Regulations:** 09 NCAC 03M .0401 and 2 CFR § 200.332
- **Leading Practices:**
 - Risk assessment framework
 - Standardized communication

3. Perform Subrecipient Monitoring

- Review financial expenditure and performance reports
- Make sure subrecipients act on any program-related audit findings and results from virtual/on-site visits
- Request that subrecipients provide written progress on areas of non-compliance
- **Applicable Regulations:** 09 NCAC 03M .0401 and 2 CFR § 200.332
- **Leading Practices:**
 - Adopted monitoring plan
 - Regular check-ins
 - Virtual/ on-site visits

Key Elements of Pass-Through Entities

4. Technical Assistance

- PTEs are encouraged to provide technical assistance to support grant compliance
- **Applicable Regulations:** 09 NCAC 03M .0401 and 2 CFR § 200.332
- **Leading Practices:**
 - Develop standard operating procedures
 - Hold regular training sessions
 - Communicate policy changes

5. Audit Requirements

- Subrecipients that receive, use, hold, or expend **\$750,000 or more** in state or federal grant funds are required to undergo a Single or Program-Specific Audit
- In FY 2026, the audit threshold will **increase to \$1,000,000**
- PTEs must verify these requirements are met and provide support in the remediation of corrective actions
- **Applicable Regulations:** 2 CFR § 200.501 and 09 NCAC 03M .0205
- **Leading Practices:**
 - Communicate audit requirements
 - Track compliance

6. Record Retention

- PTEs and their subrecipients are required to retain records for five years from the end of the NCPRO grant agreement term, December 31, 2032, or until all audit findings have been resolved, whichever is longer
- **Applicable Regulations:** 09 NCAC 03M .0202, 09 NCAC 03M .0703, and 2 CFR § 200.334
- **Leading Practices:**
 - Documentation is readily available
 - Appropriate staff have access to documentation
 - Documents are centrally located

Applicable Regulations



Pass-Through Entities in North Carolina

Administering Agencies

Administering Agencies, as PTEs, are required to **monitor their subrecipients** for the duration of the performance period.



Administering Agencies are SFRF prime recipients, or Pass-Through Entities, as defined under 2 CFR 200.1 and 09 NCAC 03M .0401

Subrecipients

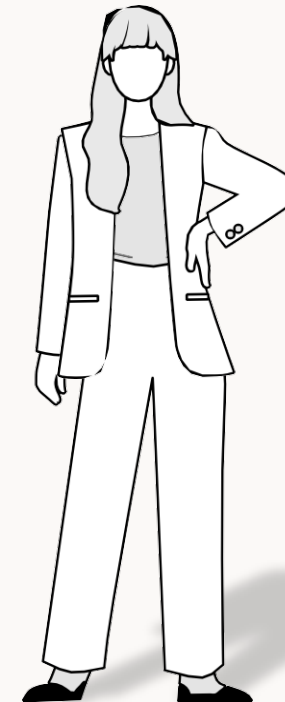
Subrecipients are **non-state entities** that receive grant funds from a PTE to carry out part of a federal or state program. Additionally, they can serve as PTEs when grant funding is directly allocated to a subrecipient.



The subrecipient operates under an agreement or contract with the PTE to carry out a function of a grant funded program.

North Carolina Pandemic Recovery Office (NCPRO)

NCPRO is the **prime recipient** of state-appropriated SFRF allocation. It serves as the PTE to administering agencies and its subrecipients.



NCPRO serves as the State's coordinating agency for the SFRF program.

Applicable State Regulations

The following table details key state-level regulations for North Carolina's PTEs overseeing SFRF projects and their relation to 2 CFR.

Requirements	State Regulations	What to Know	Relation to 2 CFR 200
Written Agreements	09 NCAC 03M .0703 N.C.G.S. 143C-6-23	Establish written agreements with subrecipients that clearly outline the terms and conditions of the award, including the scope of work, performance expectations, and compliance requirements.	2 CFR § 200.332(b) Appendix II to Part 200
Risk Assessment	09 NCAC 03M .0401	Conduct a risk assessment of subrecipients prior to issuing funds to determine the level of monitoring required. This assessment should consider factors such as the subrecipient's prior experience, results of previous audits, and the complexity of the project.	2 CFR § 200.332(c)
Subrecipient Monitoring	09 NCAC 03M .0401 N.C.G.S. 143C-6-23	PTEs must monitor subrecipients to support compliance with federal and state requirements. This includes reviewing financial and performance reports, following up on any deficiencies, and confirming corrective actions are taken. In North Carolina, all PTEs must submit a monitoring plan from the Office of State Budget and Management (OSBM) and obtain their approval of it.	2 CFR § 200.332(e) 2 CFR § 200.329(a)
Financial Reporting	09 NCAC 03M .0401 N.C.G.S. 143C-6-23	Require subrecipients to submit regular financial reports that detail the use of funds and confirm that expenditures are allowable, allocable, and reasonable.	2 CFR § 200.327
Performance Reporting	09 NCAC 03M .0401 N.C.G.S. 143C-6-23	Require subrecipients to submit performance reports that demonstrate progress towards achieving the objectives of the award.	2 CFR § 200.332(d)
Audit Requirements	09 NCAC 03M .0205 N.C.G.S. 143C-6-23	Validate that subrecipients comply with audit requirements, including the submission of Single Audit reports if they receive, hold, use, or expend \$750,000 or more in federal awards in FY25, and \$1M in FY26.	2 CFR § 200.501
Corrective Actions	09 NCAC 03M .0401 N.C.G.S. 143C-6-23	Follow up on audit findings and confirm that subrecipients take corrective actions to address any issues identified.	2 CFR § 200.332(e)
Training and Technical Assistance	09 NCAC 03M .0401	Provide training and technical assistance to subrecipients to help them comply with federal and state grant requirements.	2 CFR § 200.332(f)

Applicable Federal Regulations

The following table details key federal regulations for North Carolina's PTEs overseeing SFRF projects.

Requirements	Federal Regulations	What to Know
Subaward Information	*2 CFR § 200.332(b) *Appendix II to Part 200	Include specific terms and conditions in subawards such as Federal Award Identification, compliance requirements, and performance goals.
Monitoring and Reporting	*2 CFR § 200.332(e)	Implement a structured monitoring plan, conduct monitoring activities, review performance and financial reports, and confirm timely corrective actions.
Performance Measurement and Evaluation	*2 CFR § 200.301	Define clear performance metrics and require subrecipients to report on project outcomes and impact.
Internal Controls	2 CFR § 200.303	Establish and maintain effective internal controls that provides reasonable assurance that the subrecipient is managing the federal award in compliance with federal statutes, regulations, and the terms and conditions of the federal award.
Documentation and Record Retention	2 CFR § 200.334	Maintain comprehensive records of all subaward activities for three years from the date of submission of their final financial report.
Excluded or Disqualified Entities	2 CFR § 180.300 2 CFR § 200.214	PTEs must exclude or disqualify entities such as subrecipients, contactors, and beneficiaries that are ineligible due to certain types of misconduct.
Evaluating Risk of Non-Compliance	*2 CFR § 200.331(b)	PTEs must evaluate each subawardee's risk of noncompliance with federal statutes, regulations, and the terms and conditions of the subaward.

*Indicates those federal regulations that **do not apply** under the revenue replacement expenditure category.

Risk Assessment

The outputs from the risk assessment allow the PTE to assign risk-levels to each subrecipient and to provide effective risk-based monitoring.



PTEs should complete a risk assessment to **identify potential areas of programmatic, compliance, and fiscal risk factors** within the subrecipient's operations and management of grants, state and federal statutes, regulations, and the terms and conditions of fully executed subawards.

Assess Subrecipient Risk of Non-Compliance with:

- Federal guidance including **2 CFR 200** and **US Treasury guidance**
- **State legislative intent** in North Carolina's Uniform Administration of State Awards of Financial Assistance (09 NCAC 03M), Session Law 2021-180 and subsequent amendments, and North Carolina General Statutes (N.C.G.S. 143C-6-23 and N.C.G.S. 159-3)
- **Policies and procedures** to monitor the activities of sub-subrecipients (as applicable)
- **Submission of financial metrics and performance monitoring plans**
- Evaluation of **previous audits**
- Terms and conditions of **subawards**

Monitoring Activities

Monitoring Activities	PTE
Review of Grant Agreement and Appendices	X
Debarment and Suspension Check (SAM.gov and NC SOFL)	X
Risk Assessment	X
Testing Internal Controls	X
Financial Testing of Expenditures	X
Monitoring of Program Spenddown	X
Performance Monitoring	X
Documentation and Reporting	X
Issuance of Observations and Remediation	X
Technical Assistance	X
Audit Verification and Review	X
Closeout	X



Examples of Risk-Based Monitoring

Risk Rating	Monitoring Review Type
<p style="text-align: center;">High-Risk</p>	<p>On-Site Monitoring Review</p> <ul style="list-style-type: none"> • In-person interviews • Physical inspection of assets • Financial testing • Budget to actuals reconciliation • Monitoring of program spenddown • Performance monitoring • Issuance of guidance observations and leading practices • Technical assistance (as needed)
<p style="text-align: center;">Moderate-Risk</p>	<p>Virtual Monitoring Review</p> <ul style="list-style-type: none"> • Virtual interviews • Review of inventory listing (e.g., fixed assets) • Financial testing • Budget to actuals reconciliation • Monitoring of program spenddown • Performance monitoring • Issuance of observations and leading practices • Technical assistance (as needed)
<p style="text-align: center;">Low-Risk</p>	<p>Low-Risk Questionnaire</p> <ul style="list-style-type: none"> • Evaluation of responses from compliance questionnaire • Non-compliance responses used as input in subsequent risk assessment • Technical assistance (as needed)



Record Retention Requirements

Overview of Record Retention Requirements



Here is an overview of 09 NCAC 03M .0703, which outlines the requirements for records retention for PTEs.

1. Retention Period

- All pertinent records must be retained up until **December 31, 2032**, or until all audit exceptions have been resolved (09 NCAC 03M. 0703).

2. Exceptions

- If litigation, claims, or audits are ongoing, records must be retained until all issues are resolved and final action taken.

3. Access

- Federal agencies, the PTE, and authorized representatives must have access to subrecipient records to review compliance with the award terms and conditions.

Record Retention Leading Practices

Meeting the Requirements



Effective records retention is crucial for compliance, transparency, and operational efficiency.

Here are some leading practices that PTEs can adopt for retaining records.

1. Records Retention Policy

- **Define Retention Periods:** Clearly define retention periods for different types of records based on legal, regulatory, and business requirements.
- **Include All Record Types:** Verify the policy covers all types of records, including financial documents, contracts, emails, and electronic records.

2. Records Management System

- **Centralized System:** Use a centralized records management system to store and manage records efficiently.
- **Electronic Records:** Leverage electronic records management systems to facilitate easy access, retrieval, and storage of records.

3. Regulatory Compliance

- **Understand Requirements:** Stay informed about federal, state, and local regulations related to records retention.
- **Audit Trails:** Maintain audit trails to track file access and changes to records, confirming accountability and compliance.

Addressing Non-Compliance

09 NCAC 03M.0801 and 2 CFR 200.339 – Remedies for Non-Compliance

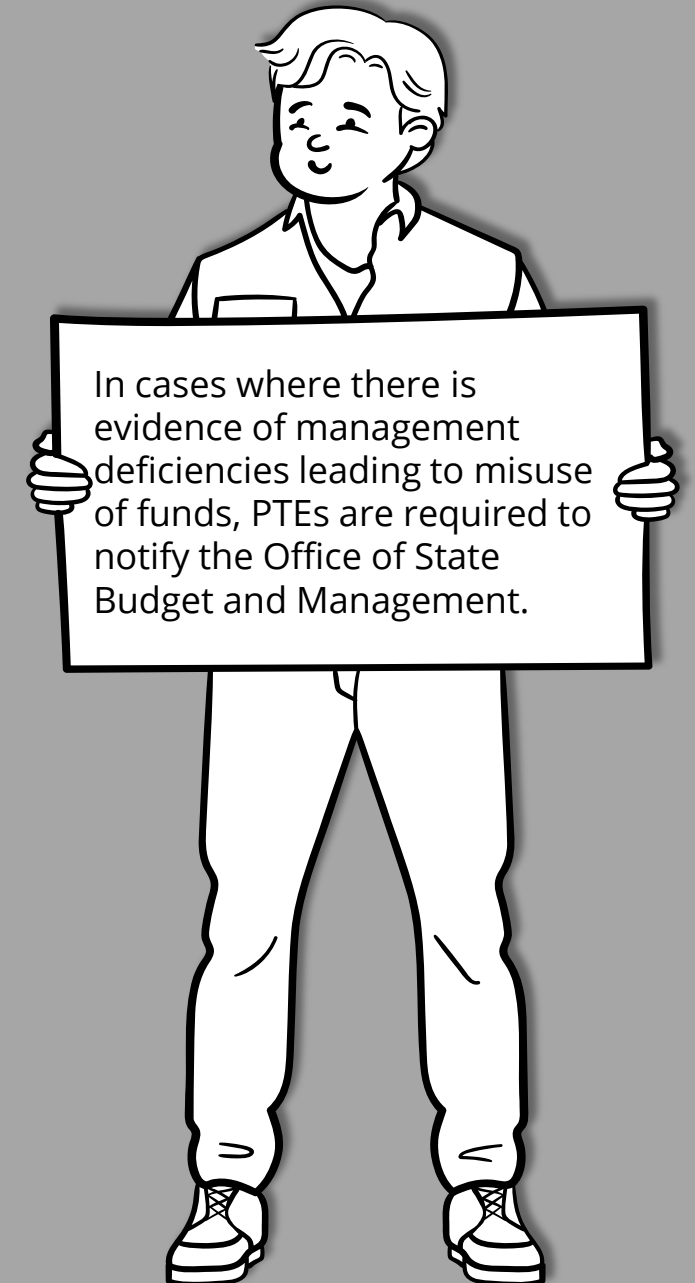
Remedial Actions

When subrecipients fail to comply with state regulations, federal statutes, regulations, or terms of the subaward, PTEs may take various actions, including:

- Imposing additional specific conditions
- Temporarily withholding cash payments or further awards
- Subrecipient could be placed on a Suspension of Funding List
- Investigating potential violations if misuse of funds is suspected
- Disallowing the use of funds for certain costs
- Wholly or partly suspending or terminating the subaward

Corrective Measures

- PTEs must document and communicate the non-compliance issues and required corrective actions to subrecipients
- Subrecipients must provide a 60-day corrective action plan to correct the issues
- Increased scrutiny over financial management practices
- If non-compliance persists, PTEs could terminate agreements and recover any misused funds



Corrective Actions: Developing Corrective Actions

Action Plan: PTEs must support the development of corrective action plans to facilitate compliance and improve subrecipient performance. Below are key elements for supporting the development of a corrective action plan.

1. Root Cause Analysis

- Conduct a root cause analysis to understand the underlying reasons for the identified issues.
- Engage with subrecipients to gather insights and context for the problems.

2. Stakeholder Involvement

- Involve relevant stakeholders, including subrecipients, in the development of the corrective action plan to support buy-in and feasibility.
- Communicate the importance of corrective actions and the potential consequences of non-compliance.

3. Action Plan Development

- Develop a corrective action plan that outlines specific steps to address the identified issues.
- Include clear timelines, responsible parties, and measurable outcomes in the action plan.

Corrective Actions: Implementing Corrective Actions

Action Plan: PTEs must support the implementation of corrective action plans to facilitate compliance and improve subrecipient performance. Below are key elements for supporting the implementation of a corrective action plan.

1. Communication

- Clearly communicate the corrective action support plan to the subrecipient, including expectations, deadlines, and consequences for non-compliance.
- Provide written documentation of the corrective action plan and any related agreements.

2. Support and Resources

- Offer support and resources to subrecipients to help them implement the corrective actions. This may include training, technical assistance, or additional oversight.
- Verify that subrecipients have access to the necessary tools and information to address the issues effectively.

3. Monitoring Progress

- Establish a system for monitoring the implementation of corrective actions. This may include regular check-ins, progress reports, and follow-up site visits.
- Use a centralized tracking system to document progress and verify accountability.

**It's time for a
Knowledge Check!**



Question 1

Which of the following is a primary responsibility of a Pass-Through Entity (PTE)?

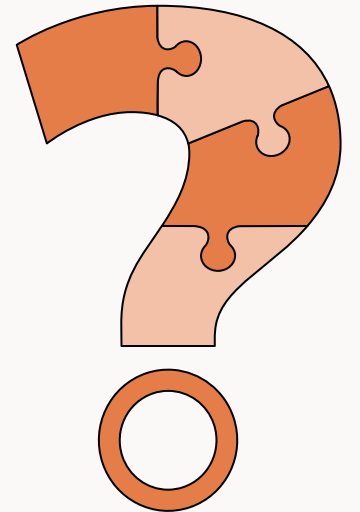
- a) Conducting annual audits of federal agencies
- b) Evaluating each subawardee's risk of non-compliance
- c) Issuing federal grants directly to individuals



Question 2

What is the threshold for requiring a Single or Program-Specific Audit report for subrecipients in FY26?

- a) \$500,000
- b) \$750,000
- c) \$1,000,000
- d) \$1,500,000



Q&A Session