

Sub-recipient Monitoring

Sub-recipient or Contractor?

Definitions:

- **Sub-recipient** – means a non-Federal entity that expends Federal awards received from a pass-through entity to carry out a Federal program, but does not include an individual that is a beneficiary of such a program.
- **Contractor** – means a dealer, distributor, merchant, or other seller providing goods or services that are required for the conduct of a Federal program. These goods or services may be for an organization's own use or for the beneficiaries of the Federal program, but creates a procurement relationship with the contractor.

Monitoring Responsibilities

Pass-through entity:

- Must provide reasonable assurance that sub-recipients are in compliance with Federal program guidelines and requirements.
- Inform each sub-recipient of CFDA title and number, award name and number, and award year.
- Advise sub-recipient of requirements imposed on them by Federal laws, regulations, and provisions of contracts or grant agreement.
- Advise of any supplemental requirements imposed by the pass-through entity.

Monitoring Responsibilities

Pass-through entity: (cont')

- Monitor the activities of sub-recipients to ensure funds are used for authorized purposes and performance goals are achieved.
- Ensure that sub-recipients that expend \$750,000 or more in their fiscal year follow the audit requirements in OMB Uniform Requirements (2 CFR Part 200.500).
- Issue a management decision on audit findings within 6 months after receipt of the sub-recipient's audit report.
- Ensure that the sub-recipient takes appropriate and timely corrective action.

Monitoring Responsibilities

Pass-through entity: (cont')

- Require each sub-recipient to permit the pass-through entity and auditors to have access to the records and financial statements as necessary.

What Your Sub-recipients Should Know

- Seek prior approval for certain costs and extensions to grant closing date.
- Method in which they will be paid and any documentation that should accompany the claim.
- Documenting the allowable sources of matching funds.
- Prohibition of using the federal award to supplant existing resources.
- Maintain property records for equipment and perform physical inventory of equipment.
- Accounting for and using program income.

Factors to Consider When Monitoring Sub-recipients

- Dollar amount of awards provided to sub-recipients.
- Number of sub-recipient can effect how often you monitor them.
- Complexity of program requirements.
- Sub-recipient's control environment (i.e., staffing levels, computer system, etc.).
- Results of prior audits.
- Sub-recipient with frequent requests for budget modifications, extensions, or exceptions to the rules.

When Monitoring Your Sub-recipients

- Perform an on-site visit to review financial and programmatic records and observe operations.
- Reconcile the sub-recipient's budgeted expenditures to actual.
- Offer sub-recipients technical assistance where needed.
- Perform desk reviews to ensure allowable use of grant funds.
- Have a second party within your organization periodically review the sub-recipient monitoring plan and reports.

Document Your Efforts

- Maintain a file or record of the desk reviews that you perform and the results.
- Develop a schedule of dates to perform on-site visits.
- Document the work performed and the results of on-site visits.
- Document corrective action taken by sub-recipient and follow-up work performed by you.
- Retain a copy of the management decisions you issued in response to sub-recipient audit findings.

**System for Award Management
(SAM)**

- The first-tier sub-recipients are required to register into the SAM registration, including obtaining a Dun and Bradstreet Data Universal Numbering System (DUNS) number.

Penalties & Sanctions

- Withholding of disbursements or future awards;
- Disallowance of cost;
- Suspension/ Termination of award;
- Suspension/ Debarment of Association;
- Civil lawsuit; or
- Criminal prosecution.

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