

Subrecipient Monitoring Requirements

Step 1:

Determine if the organization is a **subrecipient** or a **contractor**. Judgment must be used in classifying each agreement as a subaward or a procurement contract; the substance of the relationship is more important than the form of the agreement.

Below are some characteristics of a subrecipient:

- Does the entity determine who is eligible to participate in the program?
- Does the entity have responsibility for programmatic decision making?
- Does the entity adhere to specific federal programmatic requirements?
- Is the entity's performance measured based on whether the objectives of the Federal program were met? Is the scope of work and terms and conditions for the entity the same as your organization? Is the entity responsible for carrying out completion of all or part of the objectives?
- Will the entity be contributing a match or other non-Federal?
- Will the entity be reimbursed for only actual costs?

Step 2:

A pass-through entity (PTE) must:

- *Identify and Communicate to the Subrecipient* - CFR 200.331 requires a PTE to identify to the subrecipient at the time of the subaward various information, including:
 - 1) Federal Award Identification: period of performance, total funds obligated to the subrecipient, Federal award project description, contact information for awarding official, CFDA #, identification of whether the award is R&D, and indirect cost rate. Review CFR 200.331 (a) for complete list.
 - 2) All requirements imposed by the PTE on the subrecipient so that the Federal award is used in accordance with Federal statutes, regulations, and the terms and conditions of the award.
 - 3) Any additional requirements that the PTE imposes on the subrecipient in order for the PTE to meet its own responsibility for the Federal award (e.g., financial, performance, and special reports).
 - 4) An approved indirect cost rate negotiated between the subrecipient and the Federal government, between the PTE and subrecipient, or a de minimis indirect cost rate.
 - 5) A requirement that the subrecipient must permit the PTE and auditors to have access to records and financial statements when necessary.
 - 6) Appropriate terms and conditions concerning closeout of the subaward.
- *Evaluate Risk* – A PTE must evaluate each subrecipient's risk of noncompliance for purposes of determining the appropriate subrecipient monitoring. This evaluation of risk may include:
 - 1) The subrecipient's prior experience with the similar subawards.
 - 2) Whether the subrecipient has an established accounting system.
 - 3) Whether the subrecipient has an established procurement system.
 - 4) Whether the subrecipient receives a single audit and the results of previous audits.
 - 5) Whether the subrecipient has new personnel or new or substantially changed systems.
 - 6) The percentage of the award being performed by the subrecipient.

7) The extent and results of Federal awarding agency monitoring (e.g., if the subrecipient also receives Federal awards directly from a Federal awarding agency).

- *Monitor* – A PTE must monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, complies with the terms and conditions of the subaward, and achieves performance goals.

Monitoring **must** include the following:

- 1) Reviewing financial and programmatic reports required by the PTE.
- 2) Following-up and ensuring that the subrecipient takes timely and appropriate action on all deficiencies pertaining to the Federal award provided to the subrecipient from the PTE detected through audits, on-site reviews, and other means.
- 3) Issuing a management decision for audit findings pertaining to the Federal award provided to the subrecipient from the PTE as required by 2 CFR section 200.521.

Monitoring **may** include the following:

- 4) Providing training and technical assistance on program related matters.
- 5) Performing on-site reviews of the programs operations.
- 6) Arranging agreed upon procedures.

- *Verify audits are performed in accordance with the Uniform Guidance* (if expected that subrecipient will exceed the threshold).
- *Consider whether the results of the subrecipient's audits, on-site reviews, or other monitoring indicate conditions that necessitate adjustments to the PTE's own records.*
- *Consider taking enforcement action against noncompliant subrecipients as described in CFR 200.338.*
- *Ensure Accountability of For-Profit Subrecipients* – Some Federal awards may be passed through to for-profit entities. For-profit subrecipients are accountable to the PTE for the use of the Federal funds provided. Because 2 CFR part 200 does not make subpart F applicable to for-profit subrecipients, the PTE is responsible for establishing requirements, as necessary, to ensure compliance by for-profit subrecipients for the subaward. The agreement with the for-profit subrecipient should describe applicable compliance requirements and the for-profit subrecipient's compliance responsibility. Methods to ensure compliance for Federal awards made to for-profit subrecipients may include pre-award audits, monitoring during the agreement, and post-award audits (2 CFR section 200.501(h)).