

# Subgrantee Monitoring and Risk Assessment Principles

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# Objectives

- I. Become familiar with the rules and regulations requiring the monitoring of VOCA Victim Assistance subawards
- II. Understand risk assessment structures to inform and create a monitoring plan
- III. Learn how to perform monitoring with best practices
- IV. Deficiency resolution strategies



## But First... Some Disclaimers

- This training assumes states and territories are using the Victim Assistance Final Rule. Using the Final Program Guidelines with older funding streams may have different requirements.
- Risk assessment and monitoring policies are best informed by the actual application and grant structure of each state and territory.
- This training might not be all-encompassing; use the actual regulations when determining your own policies.
- Policies are only valuable if they are followed and kept updated.



# Monitoring Rules and Regulations

- 2 C.F.R. § 200.331 – Requirements for pass-through entities
- 2 C.F.R. § 200.521 – Management decision
- DOJ Grants Financial Guide, Section 3.14 – Subrecipient Management and Monitoring
- 28 C.F.R. § 94.106 – VOCA subaward monitoring requirements



## 2 C.F.R. § 200.331

- SAAs must “evaluate each subrecipient’s risk of noncompliance...for purposes of determining the appropriate subrecipient monitoring”
- All pass-through entities must “consider imposing specific subaward conditions upon a subrecipient, if appropriate, as described in §200.207”
- You are required to “[m]onitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subaward; and that subaward performance goals are achieved. Pass-through entity monitoring of the subrecipient must include:
  - Reviewing financial and performance reports
  - Following up and ensuring subrecipients take timely and appropriate action on all deficiencies
  - Issuing a management decision for audit findings as required by §200.521



## 2 C.F.R. § 200.331 (cont.)

- “Depending upon the pass-through entity's assessment of risk posed by the subrecipient, the following monitoring tools may be useful for the pass-through entity to ensure proper accountability and compliance with program requirements and achievement of performance goal:
  - Providing subrecipients with training and technical assistance on program-related matters
  - Performing on-site reviews of the subrecipient's program operations
  - Arranging for agreed-upon-procedures engagements, as described in §200.425
- SAAs must verify that subgrantees meeting the A-133 threshold have an audit
- States and territories must consider taking enforcement action against noncompliant subrecipients



## 2 C.F.R. § 200.207

- SAAs may add special conditions when:
  - A risk assessment warrants it;
  - There is a history of failure to comply with the general or specific terms and conditions;
  - An applicant or recipient fails to meet expected performance goals; or
  - The applicant or recipient is otherwise not responsible.



## 2 C.F.R. § 200.207 (cont.)

- Additional special conditions could include:
  - Requiring payments as reimbursements rather than advance payment;
  - Withhold authority to enter the next phase of a project until performance is acceptable;
  - Requiring additional, more detailed, financial reports;
  - Increased monitoring and oversight;
  - Requiring the subrecipient to obtain specific training and technical assistance; or
  - Establishing additional prior approvals



## 2 C.F.R. § 200.207 (cont.)

- If adding special conditions, SAAs are required to notify the applicant of:
  - The nature of the additional requirements;
  - The reason why the additional requirements are being imposed;
  - The nature of the action needed to remove the additional requirement, if applicable;
  - The time allowed for completing the actions if applicable; and
  - The method for requesting reconsideration of the additional requirements imposed.
- SAAs are additionally required to promptly remove additional special conditions once the conditions that have prompted them have been corrected.



## 2 C.F.R. § 200.521

- SAAs are responsible for issuing a management decision for audit findings that relate to Federal awards the SAA makes to subrecipients.
- The management decision must clearly state whether or not the finding is sustained, the reasons for the decision, and the expected action to repay disallowed costs, make financial adjustments, or take other action. Timetables should be documented for actions not yet taken.
- SAAs may request additional information or documentation from the auditee, including a request for auditor assurance related to the documentation, as a way of mitigating disallowed costs.
- Management decisions should describe appeal processes available to the auditee.
- While not required, SAAs may issue management decisions on findings related to the financial statements which are required to be reported in accordance with Generally Accepted Government Auditing Standards (GAGAS).
- Management decisions must be issued within 6 months.



# DOJ Grants Financial Guide, Section 3.14

- Use the subrecipient's risk of non-compliance when determining the appropriate type and timing of monitoring. Consider experience managing similar subawards, the results of previous audits, new personnel, substantially changed systems and processes, and the extent and results of OVC/OJP monitoring.
- Generally, new subrecipients require closer monitoring.
- Programs with complex compliance requirements have a higher risk of non-compliance.
- The larger the percentage of program awards passed through, the greater the need for subrecipient monitoring.
- Larger dollar awards are of greater risk.



# DOJ Grants Financial Guide (cont.)

- Subrecipient monitoring by the SAA must include:
  - Reviewing financial and performance reports submitted by the subrecipient;
  - Following up and ensuring the subrecipient takes action to address deficiencies found through audits, on-site reviews, and other means; and
  - Issuing a management decision for audit findings pertaining to the award (2 C.F.R. § 200.521(c)).
- The purpose of monitoring is to provide reasonable assurance that the subrecipient has administered the funding in compliance with the laws, regulations, and provisions of the award **and** that the required performance goals are being achieved.



# DOJ Grants Financial Guide (cont.)

- Best Practices
  - Request for applications should clearly define the work to be accomplished under the subaward.
  - Require subrecipients to include in their applications a time-phased milestone plan of action based on clearly-stated accomplishments defined in the grant application.
  - Integrate budget line items into the performance plan.
  - Require performance/progress reports and supporting documentation with monthly invoices. Performance reports should discuss milestones achieved; significant problem, issues, or concerns; timely accomplishments and delays; and actual costs incurred compared to each budget line item with variances explained.



# DOJ Grants Financial Guide (cont.)

- If a subrecipient fails to comply with Federal statutes, regulations, or the terms and conditions of a Federal award, the SAA may impose additional conditions.
- If it is determined that noncompliance cannot be remedied by imposing additional conditions, the SAA may take one or more of the following actions:
  - Withholding of disbursements or further awards;
  - Disallowance of cost;
  - Suspension/termination of award;
  - Suspension/Debarment;
  - Civil lawsuit; or
  - Criminal prosecution.



## 28 C.F.R. § 94.106

- Unless the Director grants a waiver, SAAs must develop and implement a monitoring plan, which must include a risk assessment plan.
- SAAs must conduct regular desk monitoring of all sub-recipients.
- On-site monitoring must be performed at all sub-recipients at least once every two years, unless a different frequency based on the risk assessment is set out in the monitoring plan.



# Risk Assessment

“The identification, evaluation, and estimation of the levels of risks involved in a situation, their comparison against benchmarks or standards, and determination of an acceptable level of risk”

risk assessment. BusinessDictionary.com. WebFinance, Inc. May 22, 2017 <<http://www.businessdictionary.com/definition/risk-assessment.html>>.



# Building an Internal Risk Assessment

- What factors lead to “risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward”? (2 C.F.R. § 200.205)
  - Financial stability
  - Quality of management systems and ability to meet the management systems prescribed
  - History of performance, including timeliness of compliance with reporting requirements, conformance to the terms and conditions of previous awards, and, if applicable, the extent to which previously awarded amounts will be expended prior to future awards
  - Reports and findings from audits
  - The ability to effectively implement statutory, regulatory, or other requirements as imposed
- What questions can SAAs ask themselves to quantitatively grade these factors?



# Measuring Financial Stability

- Is this a new subgrantee?
- Has the subgrantee had excessive deobligations in prior years?
- How often are financial and programmatic reports turned in late?
- If available, do audit files indicate problems?
- Are we aware of debts, liens, or other negative records?
  - Files and information on the Internet are not always accurate or updated. Directly ask the subrecipient about records through outside sources indicating increased risk.
- Have we had previous compliance problems?
- Have we monitored the program recently?
- Is there excessive staff turnover?
- If a nonprofit, are there any concerning Form 990 disclosures?
- Are there issues identified in the application package or SAA-specific addenda?



# Measuring Management Systems

- Is the subgrantee accounting for federal awards separately?
- Are expenditures recorded by budget cost category as approved?
- Are matching costs recorded in the accounting system?
- Do time sheets meet requirements?
- Are there controls to prevent over-obligation?
- Are there written procurement procedures?
- Do systems enable the subrecipient to make procurements on a competitive basis and document each procurement action?
- Does the subrecipient check EPLS/SAM for suspended or debarred contractors before awarding?



# Measuring Prior Performance

- In the past year, how many times has the subrecipient been late submitting financial or PMT reports?
- Has the subrecipient had to make substantial updates to submitted financial or PMT reporting due to error?
- Has the subrecipient been cited for failing to comply with the terms and conditions of previous awards?
- Does the subrecipient have a history of substantial deobligation?
- Is the subrecipient able to measure its performance in meeting the goals and objectives of its past awards?
- Does the subrecipient have outstanding funding for similar activities that is being utilized effectively?

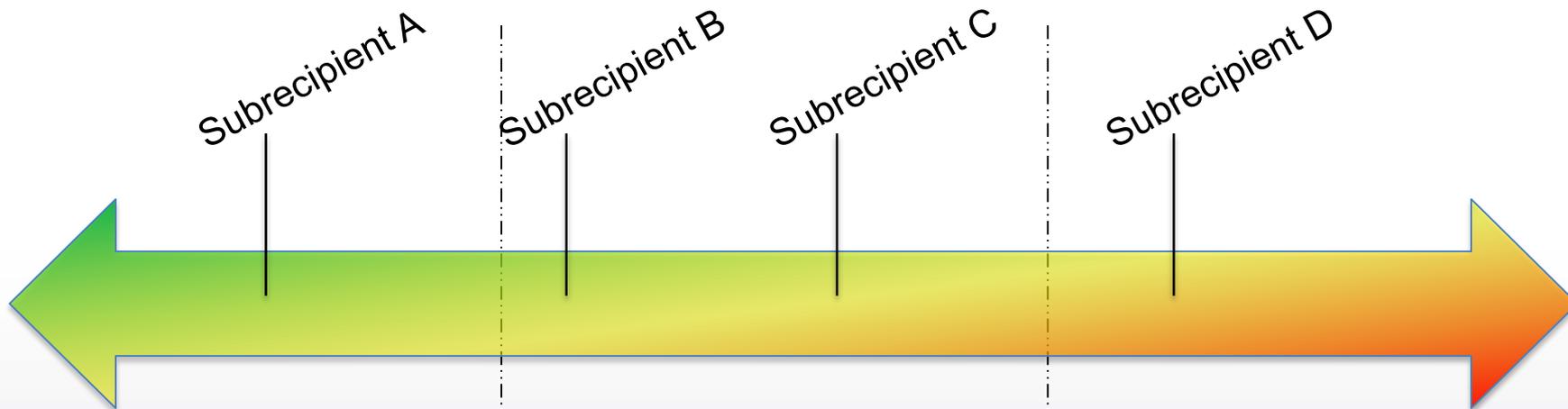


# Measuring Audit Reports

- Did the auditors test for compliance via attestation? Or was the review a compilation (which does not provide assurance)?
- If a single audit was required, was it completed in accordance with federal requirements and in a timely manner?
- Was the audit opinion unqualified?
- Were material weaknesses noted in the Financial Statement or Single Audit?
- Were there questioned costs?



# Use of Risk Assessment



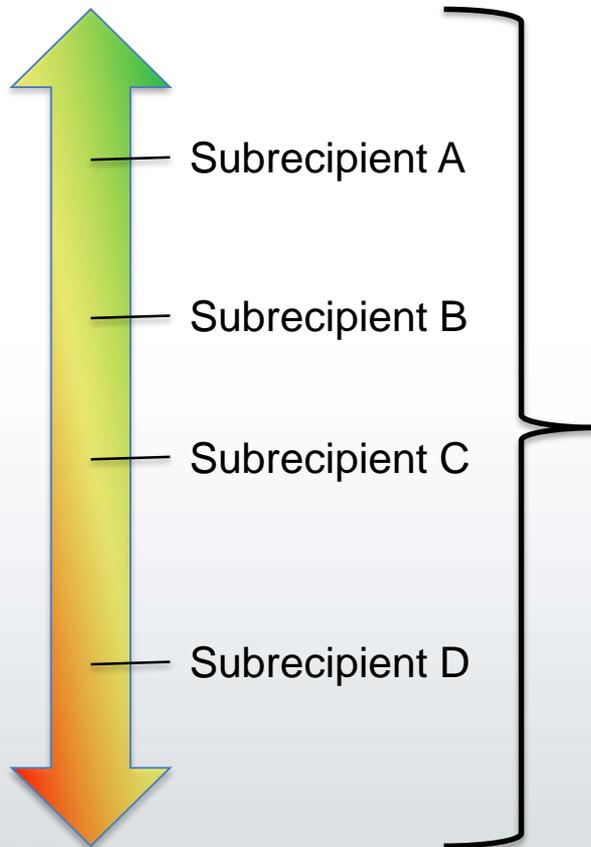
- State or local government
- Long history of compliance
- Small subaward

- Some late reports
- Moderate to large award
- Not monitored recently

- New subgrantee
- History of noncompliance
- Concerns about performance data



# Risk Assessment Informs Monitoring Plan



Sub	Risk	Planned	Type	Planned	Type	Monitor
A	Low	Q3	Desk			Liza
B	Med	Q1	Desk	Q3	Site	Kris
C	Med	Q2	Desk			Bette
D	High	Q1	Site	Q4	Site	Jolene



# Monitoring

- Financial
- Administrative
- Programmatic
- Management decision



# Financial Monitoring

- Is the sub-grantee compliant with financial regulations?
- Compare and reconcile financial reporting against source documentation
  - Expenditures must be allowable, reasonable, and authorized
  - Allowability via 2 C.F.R. § 200 cost principles, DOJ Grants Financial Guide, and Final Rule
- Are accounting policies and procedures sufficient?
- Are match requirements being met with allowable costs?
- Is the sub-grantee accounting for federal awards separately?
  - For example, does the sub-grantee have a system that prevents VOCA funds and other federal awards from mixing together?



# Administrative Monitoring

- Is the grant file complete?
- Review of payroll billing, timesheets, and overtime prior approval
- Consultant daily rate maximums
- Suspension and debarment of vendors and contractors
- Procurement and sole-source regulations
- Compliance with special conditions



# Programmatic Monitoring

- Can you verify that the funded services/activities have been provided/completed?
- Are goals and objectives being implemented as planned according to the approved timeline and budget?
- Were changes in grantee activities approved in accordance with state guidelines?
- Is performance data collected, maintained, and reported on as required?
- Verify performance data and accuracy of reporting
- Are the services within quality guidelines established by the state and in line with best practices?
- Does the subrecipient require training and technical assistance?



# Resolving Deficiencies

- Additional Conditions – examples (see 2 C.F.R. § 200.207)
  - More detailed financial or programmatic reporting
  - Financial or programmatic reporting at a greater frequency
  - Provide more backup documentation with reimbursement requests
  - Outside auditing or review
  - Board involvement
  - Mandated training



# Resolving Deficiencies (cont.)

- Withholding of disbursements or further awards;
- Disallowance of cost;
- Suspension/termination of award;
- Suspension/Debarment;
- Civil lawsuit; or
- Criminal prosecution.



# Questions?

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