

The letters S, M, A, R, and T are arranged vertically. Each letter is inside a circle. The circles are connected by a dashed line that forms a path from the top of the 'S' circle, around the 'M' and 'A' circles, down the 'R' circle, and around the 'T' circle, ending in a small arrowhead pointing down. The background of the slide features a pattern of overlapping circles in light blue and orange.

S
M
A
R
T

Strategies

Monitoring

Accountability

Risk Mitigation

Transparency

Subrecipient Management

SMART 4.0

Hosted by the Office of Grants Management
Division of Compliance Assistance and Policy
Employment and Training Administration
U.S. Department of Labor

SMART 4.0 Training Series

- The training modules are focused on: **S**trategies for sound grant management that includes **M**onitoring, **A**ccountability, **R**isk mitigation and **T**ransparency.
- **4.0 focuses on Risks Identification and SMART Practices!**



Disclaimer

SMART 4.0 is part of the catalog of SMART grant management tools. This conference and its materials should be viewed primarily as a support resource. It is not intended to be comprehensive, but rather to provide an understanding of 2 CFR 200, 2 CFR 2900, and the management of ETA grants. The use of these SMART 4.0 modules does not ensure compliance. Any omission of an applicable Federal requirement does not waive a grant recipient or subrecipient's responsibility to comply with that requirement.

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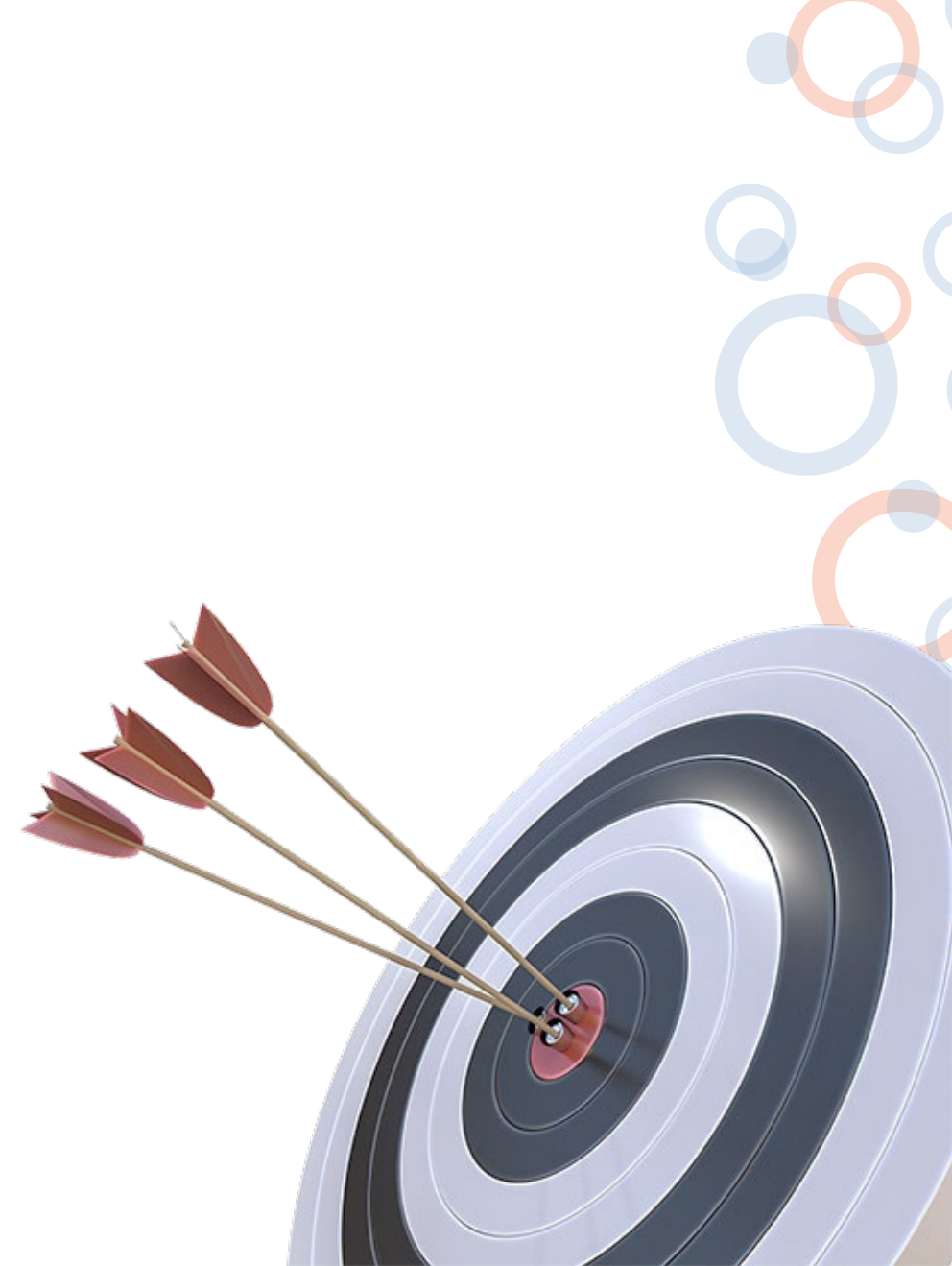
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Module Overview

- Applicability and Definitions.
- Pre-Subaward Phase.
 - Pass-Through Entity Responsibilities.
 - Subrecipient vs. Contractor Determination.
 - Subrecipient's Responsibilities.
- Post-Subaward Phase.
 - Pass-Through Entity Responsibilities.
 - Monitoring, Audits and Records Management.
 - Records Management and Closeout.
- Risks and SMART Practices.





Applicability and Definitions

Applicability

[2 CFR.200.300](#) and [2 CFR 200.331-333](#)

All recipients of a Federal award:

- States & local governments.
- Non-profit organizations.
- Indian tribes.
- Institutions of Higher Education (IHE).
- For-profit or commercial entities*.
- Foreign organizations and foreign public entities*.

› *[2 CFR 2900.2](#) and [2 CFR 200.101\(a\)\(2\)](#)

Definitions

[2 CFR 200.1](#)

- **Pass-through entity (PTE):** - a grant recipient that provides a subaward to a subrecipient to **carry out part of a Federal program**.
- **Subaward** - Award provided by a pass-through entity to a subrecipient to carry out part of a Federal award [2 CFR 200.1](#).

Definitions

[2 CFR 200.1](#) and [2 CFR 200.331](#)

- **Subrecipient** - an entity, usually but not limited to grant recipient, that receives a subaward from a pass-through entity to carry out part of a Federal award; but does not include an individual that is a beneficiary of such award. A subrecipient may also be a recipient of other Federal awards directly from a Federal awarding agency.
- Subrecipients may perform the following:
 - Determine who is eligible to receive what Federal assistance.
 - Measure performance in relation to whether objectives of a Federal program were met.
 - Has responsibility for programmatic decision-making.
 - Is responsible for adherence to applicable Federal program requirements specified in the Federal award.
 - In accordance with its agreement, uses the Federal funds to carry out a program for a public purpose specified in authorizing statute.



Pre-Subaward Phase



Pass-Through Entity Responsibilities

Pass-Through Entities' Responsibilities – Pre-Award (1)

Considerations:

- Should **identify services** and **outcomes** that it is seeking to obtain from third parties.
- Establish the **evaluation factors** it will use to determine the responsiveness of proposals from new or potential contractors or subrecipients.
- Make **subrecipient versus contractor determination** ([2 CFR 200.331](#)).

Pass-Through Entities' Responsibilities – Pre-Award (2)

- **Ensure** that the subaward is clearly **identified as a subaward** to the subrecipient ([2 CFR 200.332\(a\)](#)) and contains all required information.
 - In addition, the subaward identifies applicable Federal statutes, regulations, and the grant terms and conditions ([2 CFR 200.332\(a\)\(2\)](#)).
 - Any additional requirements imposed on the subrecipient for the PTE to meet its own responsibility to meet the objectives of the grant ([2 CFR 200.332\(a\)\(3\)](#)).
- **Negotiate or approve** an indirect cost rate or de minimis rate ([2 CFR 200.332\(a\)\(4\)](#)).

Subaward Required Information

2 CFR 200.332

Subrecipients are awarded subawards. The subaward must include the following details:

- Subrecipient name matching the name associated with its Unique Entity Identifier (UEI).
- Subrecipient's UEI.
- FAIN and date.
- Subaward period of performance.
- Total amount of the Federal award.
- Total amount of Federal funds obligated by this action and the amount awarded to the subrecipient.
- Project description.
- Federal awarding agency, PTE, and contact information for awarding official.
- Assistance Listing Number and Name.
- If the award Research and Development in nature.
- NICRA for the Federal award.

Pass-Through Entities – Best Practices

- **Perform due diligence before awarding a subaward:**
 - The other entity is deemed responsible, financially stable, and qualified.
- **Ensure that the internal controls system includes the following:**
 - Written procedures for awarding and contracting.
 - Identifies factors for evaluating/rating possible subrecipients.
 - Establish written conflict of interest policies.



Subrecipient vs. Contractor Determination

Subrecipient or Contractor? - Characteristics

- The decision to work with another entity.
 - This can take the form of working with a subrecipient or a contractor.
- Contractor receives a contract for a good/product or to perform service needed for the Federal program or project.
- For a contract.
 - Creates a procurement relationship between the grant recipient and another entity.
 - The grant recipient must follow a formal competitive procurement method consistent with its own policies and procedures to award a contract.

Characteristics of a Subrecipient

2 CFR 200.331

- Determines who is eligible to receive what Federal assistance.
- Performance is measured by whether the objectives of the Federal program are met.
- Has responsibility for programmatic decision making.
- Responsible for adhering to applicable Federal program requirements.
- Uses Federal funds to carry out a program for a public purpose.
- Funded by a subaward which can be in the form of a contract or another legally binding agreement.

Characteristics of a Contractor

- Provides similar goods or services to many different purchasers.
- Provides the goods and services within normal business operations.
- Provides goods or services that are ancillary to the operation of the Federal program.
- Not subject to the compliance requirements of the Federal program.
- Provides goods and services for PTE's or Subrecipients own use, creating a procurement relationship.
- Funded by a contract or through invoices.

Function vs. Type of Agreement

- The substance of the relationship is more important than the form of the agreement.
- Many organizations use a standard contract template to secure services of both contractors and subrecipients. It is important in using sound judgement and the factors outlined in the Uniform Guidance to determine if the contractor is in fact a subrecipient ([2 CFR 200.332\(c\)](#)).

Risk Assessment



[2 CFR 200.332\(b\)](#)

PTEs must evaluate each subrecipient's noncompliance risk to determine performance and success:

- Prior experience with the same or similar activities.
- New personnel or new accounting systems.
- Results of Federal agency monitoring.
- Results of previous audits performed.
- History of performance and reporting.

Specific Conditions

2 CFR 200.208

- As a suggested good practice, PTEs can consider the following specific conditions:
 - Requiring payments as reimbursements.
 - Withholding authority to proceed to the next phase.
 - Requiring more detailed financial reports.
 - Requiring additional monitoring.
 - Requiring the subrecipient to obtain technical or training assistance.
 - Establishing additional prior approvals.



Subrecipient Responsibilities

Subrecipients' Responsibilities

- Subrecipients must comply with the requirements of the Uniform Guidance at 2 CFR part 200 and DOL's exceptions at 2 CFR part 2900.
- The terms and conditions of the PTE flow down to subrecipients.
 - Unless a particular section of this part or the terms and conditions of the Federal award specifically indicate otherwise.
- Establish and maintain effective internal control over the subaward.
- Subrecipients must take reasonable measures to safeguard protected personally identifiable information.

Check Your Knowledge in 60 Seconds

Answer True or False

1. The pass-through entity is not accountable and potentially liable for all of the actions of its subrecipients since they are separate entities.
2. Subrecipient management begins during the pre-award phase and may include a risk assessment and stipulating subaward terms and conditions.





Post-Subaward Phase



Pass-Through Entity Responsibilities

Pass-Through Entities' Responsibilities – Post-Subaward

- Ensure that subrecipient is on its way to meeting **performance** and **financial goals** ([2 CFR 200.332](#)).
 - Provide technical assistance, when needed.
- Ensure **compliance** with subaward terms and conditions [2 CFR 200.332\(a\)\(2\)](#) including terms and conditions in the original grant agreement.
 - By conducting **monitoring** and oversight [2 CFR 200.332\(d\)](#).
- Establish remedies for non-compliance ([2 CFR 200.339](#)).
 - Consider taking enforcement action against noncompliance subrecipients.
- Ensure subrecipients meet the **audit requirements** [2 CFR 200.332\(f\)](#).
- Ensure access to subaward records including proper retention of records ([2 CFR 200.332\(a\)\(5\)](#)).
- Properly **closeout** the subaward [2 CFR 200.332\(a\)\(6\)](#).

Management of Subrecipients

Pass-through entities should provide the following to its subrecipients:

- Technical assistance.

- Provide the necessary training.
- Articulate and explain all Federal, local/State requirements and regulations applicable to the program or grant.

- On-going performance and financial management.

- Monitor progress or program deliverables or performance goals.
- Examine expenditures to ensure alignment with statement of work or approved budget.

Allowability Requirements

- PTEs are responsible for subrecipient compliance with the Uniform Guidance's Cost Principles, including items requiring prior approval.
 - Prior approval States – Formula Grant Recipients.
 - › Prior approval authority is delegated to the Governor for State and Local Workforce Investment Area (LWIA) costs.
 - Prior approval States – Discretionary (non-formula) Grant Recipients.
 - › Must obtain ETA (Grant Officer) prior written approval.
 - › Subrecipients request for ETA go to the state.
 - Prior approval – Other Grant Recipients.
 - › Must obtain ETA (Grant Officer) prior written approval.

Indirect Costs Rates & De Minimis Rate

2 CFR 200.332(a)(4)(i)

- PTEs are to recognize an approved Federally indirect cost rate agreement between the subrecipient and its cognizant agency.
- If no rate exists and the subrecipient has indirect costs associated with its subaward, the PTE must negotiate a rate with the subrecipient.
 - Can be based on a prior negotiated rate between a different PTE and the same subrecipient or,
 - The de minimis indirect cost rate.

Reporting Requirements

- PTE is responsible for collecting/monitoring all required DOL reporting elements ([2 CFR 200.332\(d\)](#) and [2 CFR 200.332\(a\)\(3\)](#)).
- Review financial and performance reports.
 - Ensure report formats reflect required reporting elements.
- Identify additional financial and performance requirements.
- Timely submission.
- Tip: PTE may require frequent reporting from subrecipients.

Reporting: Performance

2 CFR 200.329

- PTEs must review performance reports from their subrecipient and compare:
 - Actual accomplishments to subaward objectives.
 - Quantified accomplishments like computation of costs.
 - Analysis of cost overruns or high unit costs, if appropriate.
 - Performance trend data and analysis, if informative.
 - › Include reasons for slippage if objectives are not met.

Reporting Subrecipient Data (1)

PTEs are responsible for gathering the data that must be reported to ETA in sufficient time to meet the federal reporting deadlines.

- Timing – Frequency and due dates.
 - Quarterly.
 - Due 45 calendar days after the end of the quarter.
 - **When would you need data from your subrecipients to meet your reporting deadlines?**
- Data items to consider.
 - Additional line items on the ETA 9130.
 - Quarterly program narrative.
 - Performance reports.
- Other reporting requirements.
 - Accruals.

Reporting Subrecipient Data (2)

- Gathering the data necessary to report to ETA in time to meet the Federal reporting deadlines.
 - Accrued expenditures and unliquidated obligation.
 - Program income information.
 - Cost-sharing/ match or leverage resources information.
 - Collecting additional data items to track.
 - › Program/financial performance.
 - › Cost category data.
 - › Budget and line-item restrictions.

Check Your Knowledge in 60 Seconds

Answer True or False

1. Recipients must submit financial reports not later than 45 calendar days after the end of the reporting period.
2. In designing subrecipient reporting forms the PTE should include information it needs for reporting to DOL.
3. PTEs should consider having subrecipients report more frequently than quarterly.
4. Accrual reporting is required for the PTE but not for subrecipients.





Monitoring, Audits, and Audit Resolution Process

PTE Monitoring Subrecipients

- Active monitoring is necessary to ensure ([2 CFR 200.332\(d\)](#)):
 - The subaward is used for authorized purposes.
 - Compliance with Federal statutes, regulations, and terms and conditions of the subaward.
- Monitoring of the subrecipient must include ([2 CFR 200.332\(d\)](#)):
 - Review of financial and performance reports required by the PTE.
 - Other audit follow-ups.
- Also, an opportunity for PTEs to identify areas in need of technical assistance.

PTE and Subrecipient – Audits Requirements

- PTE verify that subrecipients meet audit requirements:
 - Expending \$750,000 or more in Federal awards in a fiscal year needs a Single Audit or program-specific audit ([2 CFR 200.501\(a\)](#)).
- Written policy and procedures on subrecipient audit process and should include the following ([2 CFR 200.332\(d\)](#)):
 - Follow-up on deficiencies identified through audits and on-site reviews and the subrecipient's corrective action plan.
 - Issuing a management decision for subrecipient's audit findings.
 - Resolution of audit findings specifically related to the subaward.

PTE Audit Resolution Process (1)

- Resolution Process - to resolve any findings that have arisen as a result of the audit.
 - It includes a decision either to accept or reject the auditor's findings.
 - › Based on a review of the law, the regulations, and any explanatory information or additional documentation provided by the auditee.
 - Application of a collaborative resolution process which includes at a minimum an initial determination, an informal resolution period, and a final determination ([2 CFR2900.20\(a\)](#)).

WIOA 20 CFR 683.420

- State or direct or grant recipient.
 - Must utilize the written monitoring and audit resolution, debt collection and appeal procedures that it uses for other Federal grant programs.
 - If no such written procedures, must prescribe standards and procedures to be used for this grant program.

PTE Audit Resolution Process (2)

- The PTE is responsible for resolving audit findings specifically related to the subaward.
 - Should begin corrective action no later than upon receipt of the audit report.
- Responsible for issuing a management decision for audit findings that relate to Federal awards it makes to subrecipients.
 - Ensure corrective action.
 - Allow or disallow cost.
- Establish debt.
 - For its subrecipients, the PTE must issue a management decision within 12 months of the audit acceptance by Federal Audit Clearinghouse (FAC) ([2 CFR 2900.21](#)).

PTE Audit Resolution Process (3)

- PTE must issue a management decision that will document needed corrective action. The management decision:
 - **Must** clearly state whether the audit finding is sustained, the reasons for the decision.
 - **Should** establish time requirements.
 - **Should** describe any appeal process available to the grant recipient.
 - **Must** make use of stand-in-costs prior to issuing final management decision.
- [2 CFR 2900.21](#) – The grant recipient must initiate and proceed with corrective action as **rapidly as possible** and should begin corrective action no later than upon receipt of the audit report.



Records Management and Closeout

Records Management (1)

A PTE may request a subrecipient to transfer grant records to its organization for multiple reasons:

- Avoid duplicate record keeping, retaining records that are continuously needed for joint use.
- Ensure the records are available for subrecipients whose record retention periods may vary widely from the PTE's need.
- Take custody of records for subrecipients whose relationship with the PTE ends or is terminated early.

Records Management (2)

- PTEs and subrecipients must establish internal controls to comply with the record retention and access requirements at 2 CFR 200.334-338, including:
 - Establishing record retention schedules.
 - Protecting personally identifiable information (PII).
- Maintain records required by 29 CFR Part 38.
 - Implements the nondiscrimination and equal opportunity provisions of WIOA.
- PTE should have procedures in place to request a subrecipient to transfer grant records to the PTE.
 - PTEs are responsible for obtaining and maintaining all grant related records.

Closeout (1)

- Closeout means the process by which the PTE determines that all applicable administrative actions and all required work of the Federal award have been completed and actions taken as described in [2 CFR 200.344](#) Closeout.
- PTEs must:
 - Establish procedures to ensure successful subaward closeout process.
 - Ensure subrecipients can meet the closeout requirements in a timely manner.
 - Ensure access rights to subaward information for DOL-ETA and OIG continues after closeout of subaward.

Closeout (2)

■ PTEs must:

- Request all final and closeout required reports.
- Make prompt payments to the subrecipient for allowable reimbursable costs.
- Liquidate all accrued expenditures ([2 CFR 2900.15](#)).
- Account for real and personal property.
- Make settlement for any upward or downward adjustments to the Federal share of costs.
- Complete all closeout actions for Federal awards no later than one year after receiving and accepting all required final reports.

Check Your Knowledge in 60 Seconds

Answer True or False

1. A PTE is responsible for the closeout and audit resolution of its subrecipients.
2. DOL or a PTE's access to records is not limited to the retention period but lasts as long as the records are retained.
3. Subrecipients should know what is expected for closeout requirements without the pass-through entity communicating expectations.





Risks and SMART Practices

Common Risks

- No risk assessment was used to determine if subrecipient is a responsible entity.
- Failing to provide subrecipients with all the required information matters.
- Lack of familiarity with ETA grants.
- Not collecting required programmatic and financial data from the subrecipients in a timely matter.
- PTE not negotiating indirect cost agreement with subrecipient.

SMART Practices

- Update subaward boilerplate terms and conditions to include the Uniform Guidance requirements, including the OMB approved exception at [2 CFR 2900.2](#) that expands the definition of grant recipients to include for-profit and commercial entities.
- Communicate and specify the items of costs requiring prior approval.
- Incorporate the Uniform Guidance's requirements into subrecipient agreements that link performance metrics with effective fiscal accountability.
- Develop or update procedures to conduct timely closeouts with subrecipients to include the reconciliation of property, cash, expenditures, and disbursements, including cash advances.

Final Reminder

- Remember, PTEs are responsible for ALL funds under the grant, including those awarded under a subaward.
 - Consider substance over form. The functions and services being provided determine if the entity is a subrecipient or contractor.
- PTEs must ensure that subrecipients understand the rules and regulations that apply to the grant funds.
 - Provide guidance to subrecipients in writing.
 - Provide training to subrecipient staff.

Any Questions?



Testing for Compliance Core Monitoring Guide

The purpose of ETA monitoring is to assess for compliance using the Core Monitoring Guide (CMG). Here is a list of indicators that discussed during the module's topic.

■ **Objective 2.f: Subrecipient Management and Oversight.**

- If applicable and as a pass-through entity (PTE), the grant recipient manages all of its subrecipients and tracks their performance and compliance in meeting the terms and conditions of the subaward.

■ **Indicator 3.b.3: Subrecipient's Financial Reporting.**

- If applicable, the pass-through entity (PTE) has a system in place to ensure the subrecipient is reporting financial results of its grant activities on an accrual basis and in a timely manner.

■ **Indicator 3.h.2: Subrecipient's Audit.**

- The grant recipient, in the capacity of a PTE, has a system in place to ensure subrecipient audits are conducted and resolved.

Subrecipient Management Resources

- [Core Monitoring Guide](#)
 - Tool S Risk Assessment Worksheet
 - Tool H Subaward Review Worksheet
- [One-Stop Comprehensive Financial Management Assistance Guide Part II](#)
 - Chapter 12: Subrecipient Management and Oversight
- Uniform Guidance
 - [2 CFR 200.208](#)
 - [2 CFR 200.300](#)
 - [2 CFR200.329](#)
 - [2 CFR 200.331-338](#)
 - [2 CFR200.344](#)
 - [2 CFR 200.501\(a\)](#)
- WIOA
 - [20 CFR 683.420](#)
- DOL's exceptions
 - [2 CFR 2900.21](#)
 - [2 CFR 2900.20\(a\)](#)
 - [2 CFR 2900.15](#)

Thank You!