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# Subrecipient Monitoring for the Non-Auditor

State of Vermont

June 8, 2023





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# Presenters

- Shannon Weiss, CPA – Engagement Director



Shannon has over thirteen years of experience with auditing and accounting services. Shannon specializes in governmental auditing and accounting with an emphasis on state and local government agencies. Shannon assists clients with technical accounting and reporting issues, she has extensive experience developing audit plans, reviewing all work performed by staff and assisting in their professional development. This work includes the performance of internal control reviews, reliability of financial reporting and compliance with applicable laws and regulations, and compliance audits in accordance with OMB Uniform Guidance.

- Betsy Macey, CPA – Manager



Betsy has more than four years of experience specializing in providing auditing and accounting services to the State of Vermont and governmental entities throughout the Commonwealth of Massachusetts. During this time, she has focused on federal single audit engagements. She performs her duties with an astute knowledge of the standards required by the federal single audit, as well as governmental accounting and auditing standards.



# Learning Objectives

At the end of this session, you will be able to:

- Define a subrecipient and subrecipient monitoring
- Identify the activities undertaken to review the financial status and management controls of a subrecipient
- Identify how to mitigate the risk of contracting with a subrecipient organization



# Subrecipient Definition

# Subrecipient Monitoring (200.330-332)

Subaward is for the purpose of carrying out a portion of a federal award and creates a federal assistance relationship



Subrecipient:  
determines eligibility,  
has performance measured in relation to objectives of program,  
has responsibility for programmatic decision making;  
and uses the Federal funds to carry out a program for a public purpose



# Subrecipient Monitoring (200.330-332)

Contract is for the purpose of obtaining goods and services for the non-federal entity's own use and creates a procurement relationship



Contractor:  
provides the goods and services normally,  
provides similar goods or services to many  
different purchasers;  
provides goods or services for the benefit of the  
pass-through entity



# Subrecipient / Contractor Determination

- All characteristics need not be present
- Judgment should be used in the determination process
- Substance of the agreement is more important than the form





# Subaward Agreement Requirements

# Subaward Agreement § 200.332 (a)

Subaward must contain specific information as outlined in UG

# Federal Award identification § 200.332 (a)(1)

- Subrecipient name and unique entity identifier (UEI)
- Federal Award Identification Number (FAIN)
- Federal Award Date of award to the recipient by the Federal agency
- Subaward Period of Performance Start and End Date
- Amount of Federal Funds Obligated by this action by the pass-through entity
- Total Amount of Federal Funds Obligated by the pass-through entity including the current obligation
- Total Amount of the Federal Award committed by the pass-through entity
- Federal award project description
- Name of Federal awarding agency, pass-through entity, and contact information for awarding official of the Pass-through entity
- Assistance Listing Number and Name; the pass-through entity must identify the dollar amount made available under each Federal award and the Assistance Listing number at time of disbursement
- Identification of whether the award is R&D
- Indirect cost rate for the Federal award



# Terms and Conditions § 200.332 (a)(2)

Subaward Agreement must include requirements so that federal award is used in accordance with terms and conditions of original federal award



This includes (but is not limited to), statutory and national policies

# Statutory and National Policy Requirements (200.300)

The Federal awarding agency must manage and administer the Federal award in a manner

to ensure that Federal funding is expended and associated programs are implemented in full accordance with U.S. statutory and public policy requirements

# Statutory and National Policy Requirements (200.300)

These include requirements such as:

those  
protecting  
public welfare,

the  
environment

and prohibiting  
discrimination

# Statutory and National Policy Requirements

Pass-through entity must communicate to the non-Federal entity all relevant public policy requirements

**and incorporate them either directly or by reference in the terms and conditions of the Federal award.**

## Description of Reports § 200.332 (a)(3)

Subaward must  
contain description  
of required  
performance and  
financial reports due





# Description of Reports – Financial Reports Example

1. Federal Financial Report (SF-425) - (final report only)
  - a. A final comprehensive Federal Financial Report must be submitted, within 90 days after award expiration. The report shall cover the entire project period from the start date through the end date of the original award, or approved extended end date of the award, and must include the cumulative total of indirect costs charged to the award.
2. Federal Financial Report (SF-425) - Due semi-annually; reported under the —“Federal Cash” line of the report.
  - a. The SF-425 shall be submitted on a semi-annual basis. If the non-Federal entity is reporting on more than one NOAA grant and/or agreement, then the SF-425 attachment must be used.
  - b. Interim semi-annual Federal Financial Reports (SF-425) are due no later than 30 days after the semi-annual reporting periods ending March 31 and September 30 for the entire project period of the award.
  - c. A final Federal Financial Report (SF 425) is due within 90 days after award expiration. The report shall cover the last semi-annual reporting period ending on September 30 or March 31, or a portion thereof, based on the end date or approved extended end date of the award.
  - d. The SF-425 is due for the non-Federal entity using ASAP for payment. If converting to ASAP during the course of the Award, the SF-425 forms will be due as described above starting with the ASAP conversion date.



# Description of Reports – Performance Reports Example

## B. Performance Reports

Performance Progress Reports, required by 2 C.F.R. §200.327-328 and Department of Commerce Financial Assistance Standard Terms and Conditions, are to be completed in NOAA's Grants Online System. The Grants Online System will notify your organization through email when your reports are available for completion and submission through NOAA Grants Online. Non-Federal entities are responsible for ensuring all personnel listed on an award have a current email address. The status of reports can be seen under Associated Documents under the Grant File.

Frequency: Performance reports are due on a semi-annual basis, unless otherwise specified in a specific condition, no later than 30 days following the end of each six (6) month period from the start date of the original award. The last semi-annual performance report is required. The final report, which summarizes activities conducted during the entire award must be submitted within 90 days following the end date of the project.



# Indirect Cost Rate § 200.332 (a)(4)

(i) An approved federally recognized indirect cost rate negotiated between the subrecipient and the Federal Government.

# Indirect Cost Rate § 200.332 (a)(4)

If no approved rate exists, the pass-through entity must determine the appropriate rate in collaboration with the subrecipient, which is either:

- (A) The negotiated indirect cost rate between the pass-through entity and the subrecipient; which can be based on a prior negotiated rate between a different PTE and the same subrecipient. If basing the rate on a previously negotiated rate, the pass-through entity is not required to collect information justifying this rate, but may elect to do so;
- (B) The de minimis indirect cost rate.

# Indirect Cost Rate § 200.332 (a)(4)

(ii) The pass-through entity must not require use of a de minimis indirect cost rate if the subrecipient has a Federally approved rate.

# Access to Records § 200.332 (a)(5)

A Requirement that the subrecipient permit the pass-through entity and auditors to have access to the subrecipient's records and financial statements as necessary

# Closeout Terms and Conditions § 200.332 (a)(6)

Subaward Agreement must include appropriate terms and conditions concerning closeout of the subaward

# Closeout Terms and Conditions § 200.344

The pass-through entity will close out the Federal award when it determines that all applicable administrative actions and all required work of the Federal award have been completed by the non-Federal entity.

If the non-Federal entity fails to complete the requirements, the pass-through entity will proceed to close out the Federal award with the information available.

This section specifies the actions the non-Federal entity and Federal awarding agency or pass-through entity must take to complete this process at the end of the period of performance.



# Closeout Terms and Conditions § 200.344

(a). A subrecipient must submit to the pass-through entity, no later than 90 calendar days (or an earlier date as agreed upon by the pass-through entity and subrecipient) after the end date of the period of performance, all:

financial,  
performance,  
and other reports

as required by the terms and conditions of the Federal award.

The pass-through entity may approve extensions when requested and justified by the non-Federal entity, as applicable.

# Closeout Terms and Conditions § 200.344

## The non-Federal entity must

(b) liquidate all financial obligations incurred under the Federal award no later than 120 calendar days after the end date of the period of performance as specified in the terms and conditions of the Federal award.

(d) promptly refund any balances of unobligated cash that the Federal awarding agency or pass-through entity paid in advance or paid and that are not authorized to be retained by the non-Federal entity for use in other projects.

(f) account for any real and personal property acquired with Federal funds or received from the Federal Government

# Closeout Terms and Conditions § 200.344

## The pass-through entity must

(c) make prompt payments to the non-Federal entity for costs meeting the requirements in Subpart E of this part under the Federal award being closed out.

(e) make a settlement for any upward or downward adjustments to the Federal share of costs after closeout reports are received.

(g) promptly complete all closeout actions for Federal awards when a subrecipient completes all closeout requirements.



# Risk Assessment of Subrecipients

# Subrecipient Risk Assessment § 200.332 (b)

Pass-through entities  
must evaluate each  
subrecipient's risk of  
noncompliance with  
Federal statutes,  
regulations, and the  
terms and conditions  
of the subaward



for purposes of  
determining the  
appropriate  
subrecipient  
monitoring.

# Subrecipient Risk Assessment § 200.332 (b)

Consideration of such factors as:

prior experience with the same or similar subawards

results of previous audits including whether or not the subrecipient receives a Single Audit, and the extent to which the same or similar subaward has been audited as a major program

# Subrecipient Risk Assessment § 200.332 (b)

Consideration of such factors as:

new personnel or new or substantially changed systems

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

# Subrecipient Risk Assessment

Risk Assessment should be documented.





# Subrecipient Risk Assessment

1	<b>CLIENT NAME</b>				
2	<b>Risk Assessment of</b>				
3	<b>Subrecipient: <u>SUB NAME</u></b>				
4					
5	<b>Risk Assessment Matrix</b>				
6					<b>Score</b>
7	<b>Risk Criteria</b>	<b>Low</b>	<b>Medium</b>	<b>High</b>	
8	1) Dollar Value of Sub-Award	≤ \$5,000	\$500,000 to \$1M	>\$1,000,000	
9	Rating: 1=Low, 2=Medium, 3=High				
10	2) % of total sub-awards	< 5%	5% to 10%	>10%	
11	Rating: 1=Low, 2=Medium, 3=High				
12	3) Program Complexity	Minimal Complexity	Average Complexity	Significant Complexity	
13	Rating: 1=Low, 2=Medium, 3=High				
14	4) Results from Self-Assessment	Good to Excellent	Average	Poor	
15	Rating: 1=Low, 2=Medium, 3=High				
16	5) Fixed price vs. cost reimbursable	Fixed Price Contract	n/a	Cost Reimbursement Contract	
17	Rating: 1=Low, 2=Medium, 3=High				
18		Good experience w/subrecipient	Existing subrecipients: new personnel or new systems	New subrecipient	
19	6) Experience w/ subrecipient				
20	Rating: 1=Low, 2=Medium, 3=High				
21	7) Evidence of trained personnel & compliance program	Trained personnel & compliance program	Either trained personnel or compliance program, not both	Neither trained personnel nor compliance program	
22					
23	Rating: 1=Low, 2=Medium, 3=High				
24	8) Cooperates w/ timely responses	Provides info timely	Provides info, not timely	Does not provide info	
25	Rating: 1=Low, 2=Medium, 3=High				



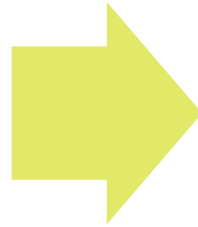
# Subrecipient Risk Assessment

25	Rating: 1=Low, 2=Medium, 3=High			
26	9) Single Audit or agreed upon procedure	No findings	Major Findings	Significant findings, or no audit
27	Rating: 1=Low, 2=Medium, 3=High			
28	10) Timely correction of findings	Timely within 6 months	Completed >6 months	No response to findings
29	Rating: 1=Low, 2=Medium, 3=High			
30	11) No previous Finalcial Statement Audit	Previous F/S Audit	Not Applicable	No Previous F/S Audit
31	Rating: 1=Low, 2=Medium, 3=High			
32	12) Results from review of	No Problems	A few issues	Major Problems
33	documents for monthly reimbursement			
34	<b>Total Score</b>			<b>0</b>
35	*Program complexity is determined by the Project Director.			
36	<b>Subrecipient Risk Total Score</b>	<b>Low = 1 to 12</b>	<b>Medium = 13 to 24</b>	<b>High = 25 to 36</b>
37				



# Additional conditions § 200.332 (c)

Based on risk  
assessment



consider imposing  
specific subaward  
conditions upon a  
subrecipient if  
appropriate



# Monitoring of Subrecipients

# Subrecipient Monitoring

Results of risk  
assessment  
determine what  
type of monitoring  
should be  
performed on sub-  
recipient



# Subrecipient Monitoring § 200.332 (d)

Pass-through entities must monitor activities of the subrecipient as necessary to ensure that the subaward:

Is used for authorized purposes

Is in compliance with Federal statutes, regulations and the terms and conditions of the subaward

Performance goals are achieved



# Subrecipient Monitoring § 200.332 (d)(1)

Monitoring must include:

Reviewing financial and  
programmatic reports  
required by the pass-through  
entity



# Subrecipient Monitoring § 200.332 (d)(2)

Monitoring must include:

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 pass-through entity detected through audits, on-site reviews.





# Subrecipient Monitoring § 200.332 (f)

Monitoring must include:

Verifying that every subrecipient has a Single Audit when it is expected that the subrecipient's Federal awards expended during the respective fiscal year equaled or exceed \$750,000



# Subrecipient Monitoring § 200.332 (d)(2)

Monitoring must include:

Following-up and ensuring that the subrecipient has provided written confirmation from the subrecipient, highlighting the status of actions planned or taken to address Single Audit findings related to the particular subaward.



# Subrecipient Monitoring § 200.332 (d)(3)

Monitoring must include:

Issuing a management decision for applicable audit findings pertaining **only to the Federal award provided to the subrecipient from the pass-through entity** as required by § 200.521

# Management Decision § 200.521 (a)

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The management decision must clearly state whether or not the audit finding is sustained, the reasons for the decision, and the expected auditee action to repay disallowed costs, make financial adjustments, or take other action.

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If the auditee has not completed corrective action, a timetable for follow-up should be given.

---

Prior to issuing the management decision, the pass-through entity 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.

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The management decision should describe any appeal process available to the auditee.

# Management Decision § 200.521 (d)

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The pass-through entity responsible for issuing a management decision must do so within six months of acceptance of the audit report by the FAC.

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The auditee must initiate and proceed with corrective action as rapidly as possible and corrective action should begin no later than upon receipt of the audit report.

# Management Decision § 200.521 (e)

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Management decisions must include the reference numbers the auditor assigned to each audit finding in accordance with § 200.516(c).

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# Subrecipient Monitoring § 200.332 (d)(4)

## Cross-Cutting Findings:

If a subrecipient has a current Single Audit report posted in the Federal Audit Clearinghouse and has not otherwise been excluded from receipt of Federal funding (*e.g.*, has been debarred or suspended), the pass-through entity may rely on the subrecipient's cognizant audit agency or cognizant oversight agency to perform audit follow-up and make management decisions related to cross-cutting findings.

Such reliance does not eliminate the responsibility of the pass-through entity to issue subawards that conform to agency and award-specific requirements, to manage risk through ongoing subaward monitoring, and to monitor the status of the findings that are specifically related to the subaward.

# Subrecipient Monitoring § 200.332 (e)

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 goals:

Providing training and technical assistance on program-related matters

Performing on-site reviews of program operations

Arranging for agreed upon procedures



# Subrecipient Monitoring § 200.332 (g)

(g) Consider whether the results of the subrecipient's audits, on-site reviews, or other monitoring indicate conditions that necessitate adjustments to the pass-through entity's own records.

(h) Consider taking enforcement action against noncompliant subrecipients as described in § 200.339 of the UG and in program regulations.

# Monitoring Documentation

38											
39	<b>Subrecipient Monitoring Compliance Section</b>										
40	<i>Instructions:</i>										
	<i>If we have concluded, based on the above factors, that we can support passing through Federal Funds to this entity, the following section must be completed to monitor the subrecipient.</i>										
41											
42											
43	<b>Description of Task to be Completed</b>	<b>Date Due</b>	<b>Date Completed</b>	<b>Completed By</b>	<b>Reviewed By</b>	<b>Date to Reperform (if applicable)</b>	<b>Notes</b>				
44	Provide all information in the "Information to Provide to Sub" tab when notifying them that they have been awarded the funds. §200.332 (a) (1)										
45	Review financial and performance reports required by the pass-through entity. §200.332 (d) (1)										
46	Follow up and ensure that the subrecipient takes timely and appropriate action on all deficiencies pertaining to the Federal award provided to the subrecipient from the pass-through entity detected through audits, on-site reviews, and other means. §200.332 (d) (2)										
47	Issue a management decision for audit findings pertaining to the Federal award provided to the subrecipient from the pass-through entity (See comment).										
48	Provide the subrecipient with training and technical assistance on program-related matters.										
49	Perform on-site review of the subrecipient's program operations.										
50	Arrange for agreed-upon-procedures engagements (if deemed necessary).										
51	Verify that the subrecipient is audited as required by the Uniform Guidance Subpart F "Audit Requirements" when it is expected that the subrecipient's Federal awards expended during the respective fiscal year equaled or exceeded the threshold set forth in §200.501 "Audit Requirements." Currently the threshold is \$750,000.										

Considerations: The management decision must clearly state whether or not the audit finding is sustained, the reasons for the decision, and the expected audtee action to repay disallowed costs, make financial adjustments, or take other action. If the audtee has not completed corrective action, a timetable for follow-up should be given. Prior to issuing the management decision, the Federal agency or pass-through entity may request additional information or documentation from the audtee, including a request for auditor assurance related to the documentation, as a way of mitigating disallowed costs. The management decision should describe any appeal process available to the audtee. While not required, the Federal agency or pass-through entity may also issue a management decision on findings relating to the financial statements which are required to be reported in accordance with GAGAS.



# Monitoring Documentation

52	Consider whether the results of the subrecipient's audits, on-site reviews, or other monitoring indicate conditions that necessitate adjustments to the pass-through entity's own records.									
	Take enforcement action against noncompliant subrecipients. (See comment)									
53										
54										
55										
56	<b><i>If all above boxes have been completed (or if n/a) for the award year, select "in compliance" with subrecipient monitoring. If not, select "not in compliance".</i></b>									
57										

Considerations for noncompliant subrecipients §200.338:

1. Impose additional conditions on the subrecipient.
2. Temporarily withhold cash payments pending correction of the deficiency.
3. Disallow all or part of the cost of the activity or action not in compliance.
4. Wholly or partly suspend or terminate Federal award.
5. Initiate suspension or debarment proceedings.
6. Withhold further Federal awards for the project or program.
7. Take other remedies that may be legally available.



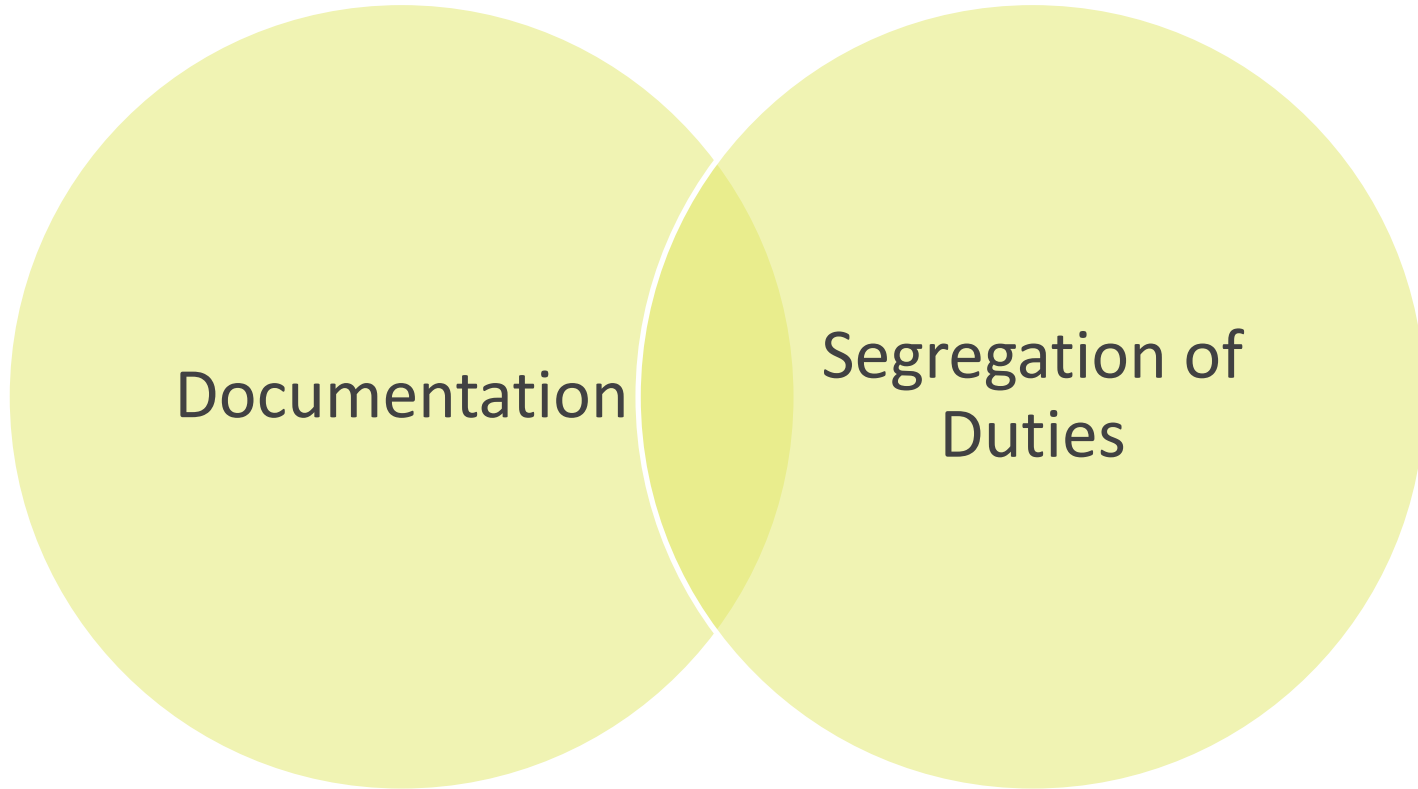
# Internal Controls and Best Practices

# Internal Controls

Ensure that proper policies and procedures are in place to provide reasonable assurance that:

- federal award information and compliance requirements are identified to subrecipients,
- subrecipient activities are monitored,
- subrecipient audit findings are resolved,
- the impact of any subrecipient noncompliance on the pass-through entity is evaluated,
- subrecipients have required audits performed and have taken appropriate corrective action on audit findings

# Internal Controls



# Internal Controls - Documentation

Pre-Subaward Checklist and Documentation

Risk Assessment

Signed Subaward Agreement

Monitoring Procedure Results

Financial and Performance Reports

Single Audit Reports and Evaluation

Management Decisions

Additional Correspondence



# Internal Controls – Segregation of Duties

One person preparing - Second person reviewing / approving



Reviewer / Approver would need to catch noncompliance or issues

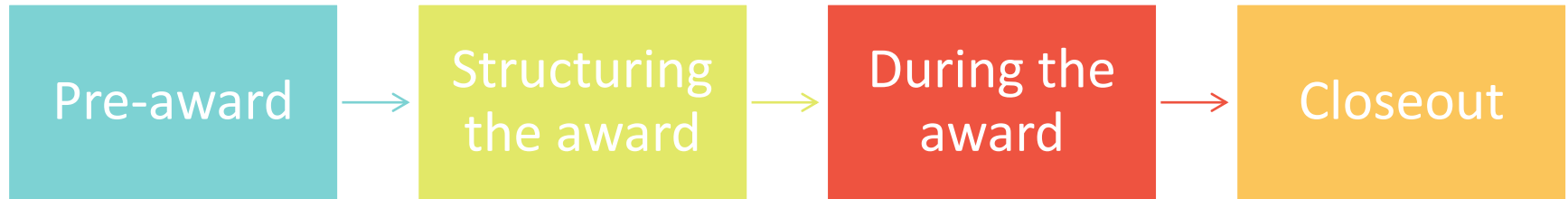


Keep documentation of approval





# Risk and Monitoring at Various Stages



# Questions?

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