# OJP TFSC

## Subrecipient Monitoring
### Guide Sheet

## What Is a Subrecipient?

Per 2 CFR 200.1, "Subrecipient means a non-Federal entity that receives a subaward from a pass-through entity to carry out part of a Federal program; but does not include an individual that is a beneficiary of such program. A subrecipient may also be a recipient of other Federal awards directly from a Federal awarding agency."

In other words, your entity is the main recipient of the DOJ award and the subrecipient is another non-federal entity, which your entity provides with a subaward to complete part of the federal program you have taken on. See more information on providing subawards in OJP TFSC's Subawards Guide Sheet found on the Resources page of the OJP TFSC website.

It is important to distinguish a subrecipient from a contractor. The subrecipient has a federal **assistance relationship** with the recipient while a contractor has a **procurement relationship** with the recipient. Some key characteristics of each are listed in table 1 below.

## Grant Financial Management Requirement

Your entity must develop systems, policies, and procedures to ensure subrecipients make responsible use of program funds and meet the requirements for pass-through entities (2 CFR 200.332). Programmatic and financial monitoring of the subrecipient and its progress is essential in complying with program goals.

## How This Applies to Your Grant

The general purpose of subrecipient monitoring is to ensure:

▶ The subaward is used for authorized purposes and is implemented in compliance with applicable federal law (statutes and regulations).

▶ The terms and conditions of the subaward are detailed on the subrecipient agreement and achieve the subaward performance goal.

Ensuring subawards are successful and compliant involves performing critical monitoring activities, which include:

▶ Clearly identifying all subawards to the subrecipient with detailed information and updating such information in a timely manner, if it is modified (see detailed list in linked requirements above).

▶ Imposing requirements on the subrecipient to ensure the award is used in accordance with federal statutes, regulations, and the terms and conditions of the federal award.

**Table 1. Characteristic of Grant Subrecipients and Contractors**

| Subrecipient | Contractor |
|---|---|
| ▶ May determine who is eligible to receive assistance under program guidelines | ▶ Provides goods and services under normal business operation |
| ▶ Has performance measured on having met program objectives | ▶ Provides similar goods and services to many different purchasers |
| ▶ Has responsibility for programmatic decision making | ▶ Operates in a competitive environment |
| ▶ Uses funds to carry out program purpose instead of providing a benefit to the recipient | ▶ Provides goods and services, which are auxiliary or complementary to the program |
| ▶ Cannot earn profit and is required to contribute cash or in-kind in support of the program | ▶ Can earn profit |

- Requesting programmatic and financial reports.
- Agreeing on an indirect cost rate that is either a negotiated rate or the de minimis.
- Ensuring that the subrecipient allows the pass-through entity and auditors to have access to the subrecipient's records and financial statements.
- Including terms and conditions for subaward closeout.
- Assessing the subrecipient's noncompliance risk with federal statutes, regulations, and the terms and conditions of the subaward.
- Following up and ensuring corrective action is taken for any findings and deficiencies discovered in audits and desk and on-site reviews.
- Providing training and technical assistance on program-related matters.

## Monitoring Programmatic and Financial Areas

Like awards, subawards can be divided in two main areas: programmatic and financial. The programmatic area refers to the key deliverables and main objectives that are to be met of the subaward program. *For example, providing 100 hours of emotional capacity building seminars to DOJ crime victim program participants.* The financial area focuses on the expenses that are necessarily incurred to be able to execute the programs. *For example, how much was spent on printing the materials and handouts to be given to participants of the 100 hours of seminars.* Below are some of the recommendations to monitor each area.

### Programmatic

- Request periodic programmatic reports, and review for reasonability and matching with financial expenditure reports. Financial and programmatic reports must be aligned with each other. For example, if a subrecipient indicates seminars were conducted in which printed materials were handed out and there is no expense in the financial report for printing services or materials, there may be something amiss.
- Compare program schedule with actual executed activities to assess program progress. If progress is not up to par, request corrective action detailing how they will get back on schedule.
- Request a possible contingency plan, if progress is not satisfactory, to provide alternate program activities

that are feasible within the remaining program time.

### Financial

- Request periodic financial expenditure reports and review for reasonability and matching with programmatic reports. Financial and programmatic reports must be aligned with each other. (See example under programmatic.)
- Ensure financial reports are received in a timely manner. Late reports could denote underlying problems, which could be either programmatic or financial. If there is a persistent tendency, request explanations and take corrective action, accordingly.
- Review the subrecipient's accounting systems and processes to ensure they are adequate in recording and maintaining program costs and that personnel is adept in these functions.
- Compare budgeted expenses to period and YTD progress. If progress is lagging behind schedule, request future expenditure projections that show how they will catch up.
- If progress is not satisfactory, discuss possible budget modifications.
- Review all pertinent documentation to ensure funds were utilized for the amount and activity/good/service for which they were originally budgeted, and make sure only allowable costs are expensed.
- Review special terms and conditions and assess for strict compliance.
- If there are audit findings, request written and detailed corrective action plans and constantly monitor their progress.

## Performing Subrecipient Monitoring

- For both programmatic and financial monitoring, consider conducting periodic desk reviews. Desk reviews are less timely as they can be conducted remotely. Request documentation and set a specific time limit for submittal by either email or shared drives. If you have reason to believe a subrecipient is not complying with the award agreement or if they are high risk, you could schedule a live desk review in which they not only show the requested documentation and information, but show where these are stored and how the provided information was created.

- For both programmatic and financial monitoring, consider conducting periodic on-site visits. Although more time consuming than desk reviews, they are effective in ensuring all documentation and information is kept updated. This is especially true if it is a surprise on-site visit, although these are usually reserved for high-risk grantees or where malfeasance is very likely. When an on-site visit is conducted, be considerate of the subrecipient's time and resources. They are allocating them to you, so be thorough but do not over extend your assessment if your requests have been met in and adequate and timely manner.

- For high-risk subrecipients and those with significant award amounts, request audited financial reports and thoroughly review programmatic reports. Alternatively, conduct the audit yourself in which you request a sufficient sample size to ensure that the information reported is represented accurately and fairly.

- If a subrecipient is performing unsatisfactorily or is noncompliant, consider withholding disbursements or further awards, disallowing costs, or suspending the award.

## Resources

Office of Justice Programs Territories Financial Support Center. (2021). Subawards Guide Sheet. https:// www.ojp.gov/training-and-technical-assistance/tfsc/ resources

United States Department of Justice. (2017). *DOJ Financial Guide.* ojp.gov/sites/g/files/xyckuh241/files/ media/document/DOJ_FinancialGuide_1.pdf

2 CFR 200.331 Subrecipient and contractor determinations

2 CFR 200.332 Requirements for pass-through entities

## About the OJP Territories Financial Support Center

**The Office of Justice Programs Territories Financial Support Center** (OJP TFSC) offers free resources, training, and technical assistance for grantees in the U.S. territories. OJP TFSC services focus on building financial management capacity and can be accessed by emailing OJPTFSC@usdoj.gov via our Virtual Support Center.

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