

# Subrecipient Management Under 2 CFR 200



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  - Compliance Assessment
  - Policy Review and Development
  - Onsite and Online Training in Grant Management

# Learning Objectives

1. Be able to source and define the subrecipient compliance requirements imposed by the Federal Government in 2 CFR 200
2. Be able to assist your organization in designing a subrecipient management program which recognizes organizational risk and resources in addressing the monitoring requirements under 2 CFR 200

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# Subrecipient Monitoring is Not New

## What's new is the:

- Clarity of the expectations for subrecipient monitoring,
- Increased focus on the infrastructure needed to support subaward management,
- Requirement for a documented risk assessment
- Expectation to implement terms to mitigate risk, along with clarification on the use of special condition provisions in subawards.
- Expectation to remove special condition provisions when subrecipient demonstrate practices the reduce the risk level or take corrective action are also new.



## Overview (2 CFR 200.331)

Grantees, as pass-through entities (PTEs), must:

- Assess risk of subrecipients. (§200.331(b))
- Monitor to ensure the subaward is used appropriately and in compliance with the award and all associated regulations. The monitoring plan should be based on the results of the risk assessment. (§200.331(d))

The risk assessment and monitoring should address both financial and programmatic considerations.

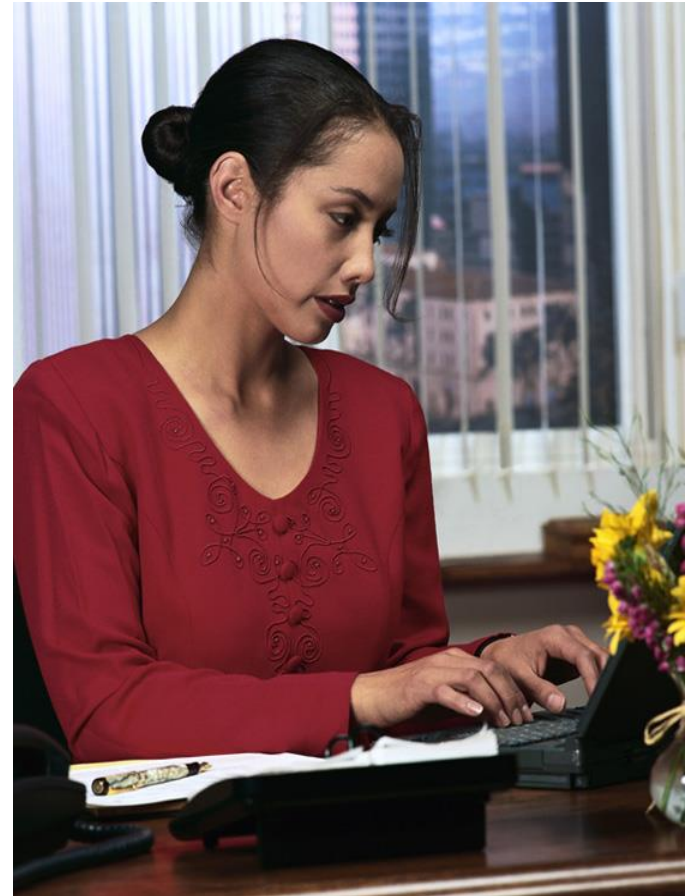
# Subrecipient Monitoring 2 CFR 200 Quick Reference

Topic	Pass-through entities
Award Notification	§200.331(a)
Risk Assessment	§200.331(b)
Specific Conditions	§200.207*
High-Risk Designation	§3474.10
Monitoring	§200.331(d)-(e) Subpart F*
Non-Compliance	§200.338*

\*Section 200.331 references these sections for requirements.

# Before Subaward Issuance

1. Validate they are not an excluded party (2 CFR 200.205, SAM.gov)
2. Review their single Audit report at the Federal Audit Clearinghouse ([harvester.census.gov](http://harvester.census.gov));
3. Conduct a risk assessment prior to subaward issuance; and
4. Review performance/ compliance data which may be available institutionally.





# Subrecipients and Risk

What is Risk?  
(GAO – The Green Book)

Risk is the possibility that an event will occur and adversely affect the achievement of objectives.

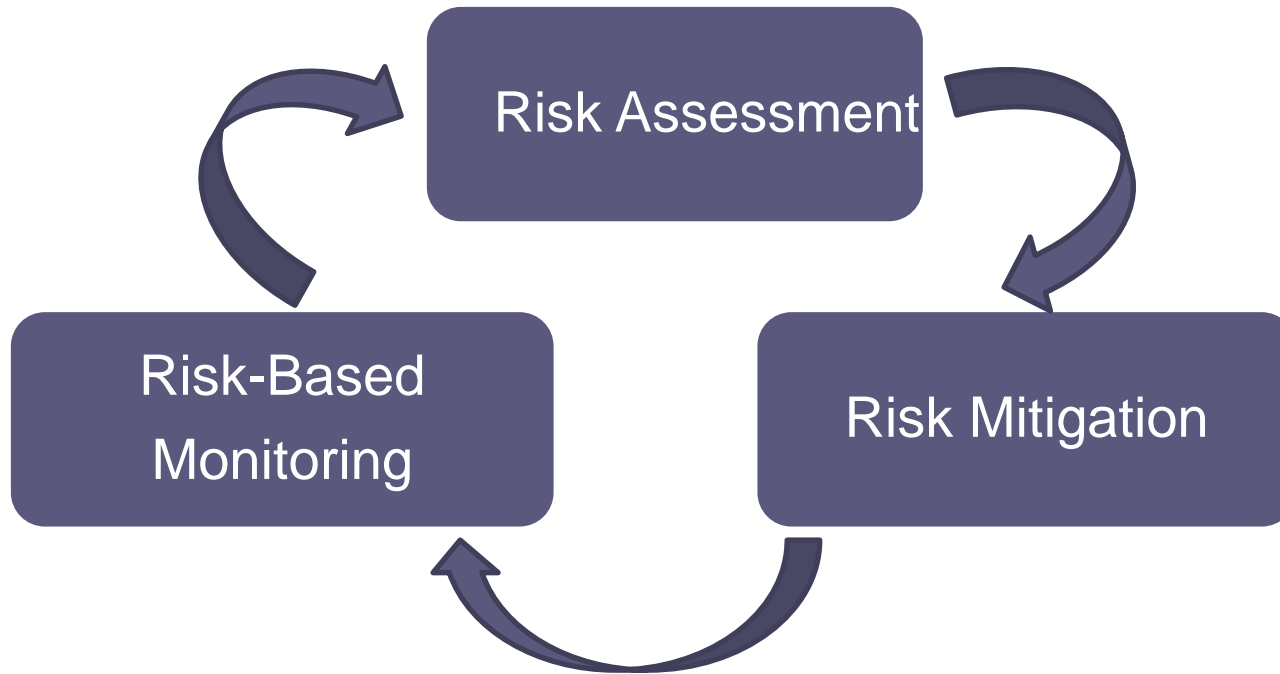


# What is Risk Management? (Green Book)



Risk management can be described as the continuous process of assessing risks, reducing the potential that an adverse event will occur, and putting steps in place to deal with any event that does occur.

# Risk Management



# PTE Risk Evaluation 200.331(b)



PTEs' **must evaluate** each subrecipient's risk of noncompliance. Factors for consideration include:

- Prior experience with same or similar awards;
- Results of previous audits, including whether the entity receives a Single Audit;
- Whether the organization has new personnel or new or substantially changed systems; **and**
- The extent and results of Federal awarding agency monitoring

# Risk Assessment 2 CFR 200.205

In evaluating risks posed by applicants, the Federal awarding agency may use a risk-based approach and may consider any items such as the following:

- (1) Financial stability;
- (2) Quality of management systems and ability to meet the management standards;
- (3) History of performance. The applicant's record in managing Federal awards, if it is a prior recipient of Federal awards, including timeliness of compliance with applicable reporting requirements, conformance to the terms and conditions of previous Federal awards, and if applicable, the extent to which any previously awarded amounts will be expended prior to future awards;
- (4) Reports and findings from audits performed under Subpart F—Audit Requirements of this part or the reports and findings of any other available audits; and
- (5) The applicant's ability to effectively implement statutory, regulatory, or other requirements imposed on non-Federal entities.

# Single Audit Requirements & Qualified Audits

## Expectation that we:

- Determine whether subrecipients are required to have a Single Audit performed
- If required, had an unqualified audit or not.
- If not, did the issues identified have potential to have implications for our subaward?
  - Do we need to include terms for a more thorough review of the subawardees records?
  - Do we need to budget and arrange for an agreed upon procedures audit for the award(s).
  - If the issues have the potential to impact our subaward, we need to secure the subrecipients corrective action management plan.
  - Follow up to ensure corrective action was taken.

# Risk Assessment Best Practices

## Have an assessment tool and database

- Self assessment tool
  - Including certification that the information provided is accurate and an acknowledgement they are aware that remedies for noncompliance and corrective action can be pursued if the information is found to have been falsified.
- PTE assessment tool (your assessment of the risk)
- Database so you can avoid requesting self-assessment tools multiple times from the same organization.
- Update database with issues that may arise with the organization's subawards

# Pass-Through Monitoring Procedures

- When monitoring subrecipients, the pass-through entity must (§ 200.331(d)):
  - Review reports required by the pass-through entity
  - Ensure subrecipients takes appropriate action on deficiencies identified through audits, on-site reviews, and other means
  - Issue a management decision for single-audit findings pertaining to Federal award
- Verify audits of subawards (§ 200.331(f))
  - Threshold for required audits increased to \$750,000



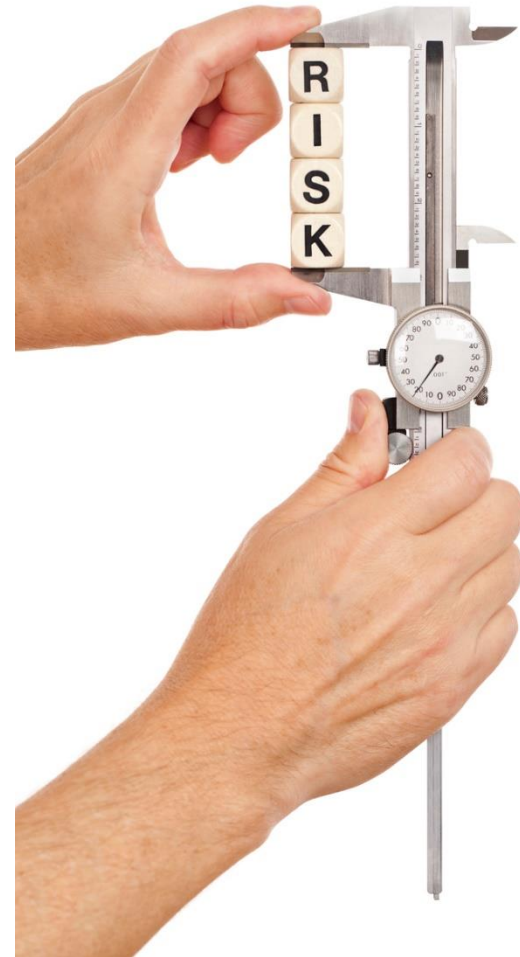
# Pass-Through Entity Monitoring Tools

- The following tools may be useful, depending upon the risk assessment (§ 200.331(e))
  - Providing subrecipient training and technical assistance
  - Performing on-site reviews
  - Arranging for agreed-upon-procedures engagements under § 200.425, Audit services [in Cost Principles]

The pass-through entity determines which tools to use based upon its assessment of risk

# Continuous Improvement Standard

Evaluate annually the risk management process to identify its strengths and weaknesses and refine ability to reduce risk throughout the grant process



## Subaward Terms for Risk Mitigation 200.331 (c)

PTEs are authorized to impose the following terms (200.206) to mitigate risk:

- Payments as reimbursement rather than advance payment
- Withhold authority to proceed to the next phase until receipt of evidence of acceptable performance within the performance period
- Additional, more detailed financial reports
- Additional project monitoring
- Attendance at technical or management assistance training
- Additional prior approvals and notifications

# Special Condition Obligations 200.331 (c)

PTEs **must** notify the subrecipient as to the:

- Additional requirements, why they are being imposed
- Actions needed to remove the additional requirements, if applicable
- Methods for requesting reconsideration of the requirements

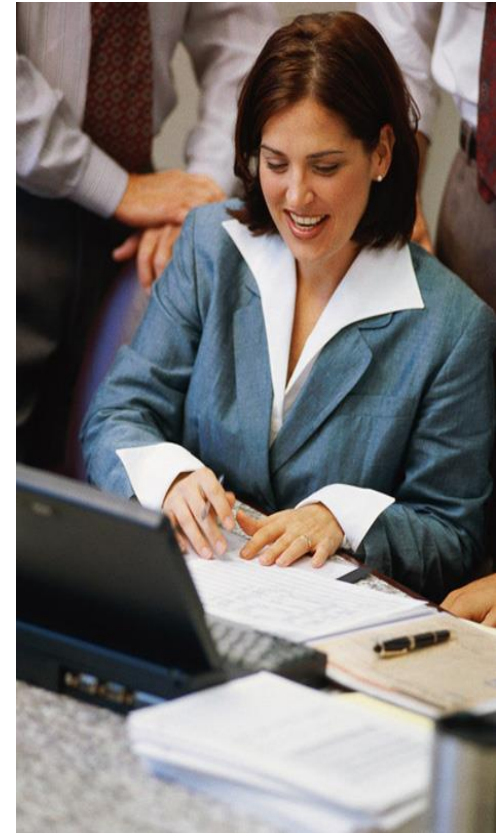
Any special conditions must be promptly removed once they have been addressed or corrected.



# PTEs and Monitoring 200.331 (d-f)

Monitoring **must** include:

- Reviewing programmatic reports
- Ensuring subrecipients take timely and appropriate action on all deficiencies
- Issuance of a management decision for audit findings pertaining to the award
- Verification every subrecipient is audited, if required by 2 CFR 200.501



# PTEs and Monitoring 200.331 (d-f)



Depending on the risk assessment, monitoring may include:

- Providing of training and technical assistance
- Performing on-site reviews of program operations
- Arranging for agreed-upon-procedures audit engagements

If monitoring or auditing indicates corrections must be made, the PTE must ensure their records are also corrected.

If enforcement actions are required, they are taken in accordance with §200.338, Remedies for Non-compliance.

# Education and Risk Mitigation

## Faculty and Department Administrator Training

- Importance of ensuring the invoice requests appear consistent with the work performed;
- Late or slow invoicing;
- Scientific disagreements and work; and
- Performance disagreements.

## Subrecipient Training

- Webinars on costing basics, compliance requirements, procurement and competition, record retention, etc.
- Project kickoff meetings with training

# Remedies for Noncompliance 2 CFR 200.338

If the Federal awarding agency or pass-through entity determines that noncompliance cannot be remedied by imposing additional conditions, the Federal awarding agency or pass-through entity may take one or more of the following actions, as appropriate in the circumstances:

- (a) Temporarily withhold cash payments pending correction of the deficiency by the non-Federal entity or more severe enforcement action by the Federal awarding agency or pass-through entity.
- (b) Disallow (that is, deny both use of funds and any applicable matching credit for) all or part of the cost of the activity or action not in compliance.
- (c) Wholly or partly suspend or terminate the Federal award.
- (d) Initiate suspension or debarment proceedings as authorized under 2 CFR part 180 and Federal awarding agency regulations (or in the case of a pass-through entity, recommend such a proceeding be initiated by a Federal awarding agency).
- (e) Withhold further Federal awards for the project or program.
- (f) Take other remedies that may be legally available.



# Monitoring and Desk Audit Considerations



1. Is the spending proportional?  
If not, does the PI know why?
2. Expenditure review?  
Allowable, allocable, reasonable
3. Financial and technical reports submitted timely?
4. Cost share?

# Subrecipient Management Policies and Procedures

## Policies and procedures should:

- Clarify monitoring responsibilities for the:
  - PI/PD
    - What the PI's signature means when an invoice is approved for payment
  - Units responsible for subrecipient monitoring tasks
    - Federal Audit Clearinghouse verification
    - Sam.gov verification
    - Agreement term determinations
    - Desk audit responsibilities
  
- Provide institution-wide standardized monitoring tools:
  - Subawardee self assessment
  - PTE assessment
  - Special condition inclusion terms for agreements
  - Checklists for validation of subawardee compliance with terms
  - Desk audit toolkits and expectations

# Take Home

## Regulatory Guidance: 2 CFR 200.330-332

### Subrecipient Risk Assessment Tool

1. Are they debarred or suspended?
2. Are they financially stable, how long have they been in existence?
3. Has there been significant organizational change which would change their risk profile?
4. Do they have an Single Audit? Was it unqualified?
5. Does the nature of the work have implications for risk?
  - Human subjects?
  - Animals?
  - International scope of work?
  - Other considerations?
6. Have we issued subawards previously? Have they been timely in performance, invoicing, and reporting?
7. Has the organization had recent Federal audit findings?

# Take Home

## Terms to mitigate risk:

- Terms must allow access to record
- Payments as reimbursement rather than advance payment
- Withhold authority to proceed to the next phase until receipt of evidence of acceptable performance within the performance period
- Additional, more detailed financial reports
- Additional project monitoring
- Attendance at technical or management assistance training
- Additional prior approvals and notifications
- Educational obligations

Clarify, educate, and document PI monitoring and oversight responsibilities for performance and financial monitoring.

## After award issuance

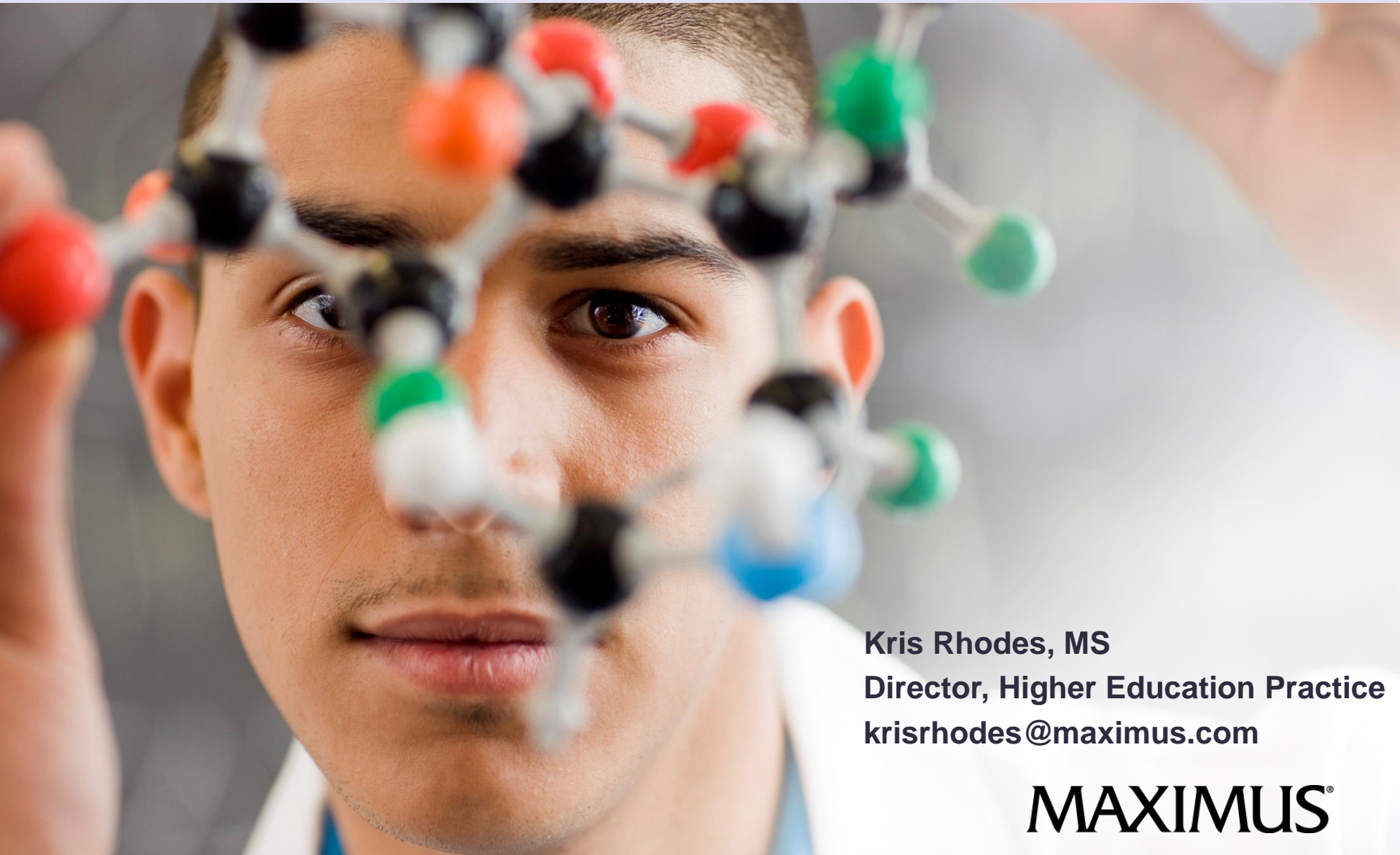
- Monitor timeliness of reporting and programmatic progress
- Conduct desk reviews or site visits, if risk level requires a higher scrutiny
- Issues: Take action

# Upcoming Webinars



- **MAXIMUS Effort Reporting System (ERS) Demo**  
• *March 14, 2017 2pm EST*
- **Internal Control: An Introduction** • *April 25 • 2:00 p.m. EST*
- **Service Center Q&A** • *May 16 • 2:00 p.m. EST*
- **F&A Rate Extensions: How, Why and What It May Cost You** • *June 13 • 2:00 p.m. EST*
- **Internal Controls & Communication** • *June 20 • 2:00 p.m. EST*
- **Moving from Short Form to Long Form Considerations** • *August 15 • 2:00 p.m. EST*
- **Re-budgeting & Cost Transfers** • *September 12 • 2:00 p.m. EST*
- **F&A Trend Analysis Using CRIS®** • *September 19 • 2:00 p.m. EST*
- **The Utility Cost Adjustment (UCA)** • *October 17 • 2:00 p.m. EST*

# Questions



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