

NC DEPARTMENT OF HEALTH AND HUMAN SERVICES



DIVISION OF PUBLIC HEALTH **SUBRECIPIENT MONITORING PLAN**

(Revised April 14, 2015)

CONTENTS

TOPIC

- I. Introduction
- II. Background
- III. Definitions
- IV. Programs
- V. Subrecipients
- VI. Risk Assessment
- VII. Monitoring Procedures
- VIII. Sanctions for Subrecipient Non-Compliance
- IX. Responsible Party

Appendices

- A. Internal Control Questionnaire
- B. Risk Assessment Form
- C. Monitoring Log
- D. Monitoring Tool/Instrument
- E. Monitoring Documentation Form
- F. Examples of Letters
- G. DPH Subrecipients
- H. Breast and Cervical Cancer Control Program/WISEWOMAN Monitoring Process

I. INTRODUCTION

The provisions of this document are applicable to all sections of the North Carolina Division of Public Health. The requirements outlined in this document are minimum requirements and were designed to provide sufficient flexibility for adoption by all affected programs. Programs may impose more stringent requirements and may more specifically tailor the procedures associated with their implementation to the degree that compliance with this document is maintained. Exceptions may be requested from the Division Director in those instances where program size or complexity precludes strict compliance.

II. BACKGROUND

OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, was revised on June 24, 1997, to require that pass-through entities monitor the activities of their subrecipients as necessary to ensure that federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved. North Carolina General Statute 143-6.1 (replaced effective July 1, 2005 by G.S.143-6.2) further requires state agencies to report on use of State funds by non-State entities, including federal funds that flow through the State. DHHS Policies and Procedures Manual, Section IV, Monitoring of Programs, revised August 1, 2002, directs subordinate divisions to develop risk-based subrecipient monitoring plans.

III. DEFINITIONS

- A. Pass-through Entities: State agencies in receipt of federal or state funds that are sub-awarded to private or other state agencies for provision of services in support of a specific program or project. Pass-through entities are responsible for monitoring grants to provide reasonable assurance that:
1. Federal and state grant funds are expended in ways that meet provisions of pertinent statutes, regulations, agency administrative requirements, relevant OMB circulars, and the terms of the award notice.
 2. Adequate progress is being made toward achieving the sub-award project's goals and objectives (as defined in award application packets).
- B. Subrecipient Agency: An agency or organization that receives federal or state awards from the Division of Public Health. These agencies are usually non-profit or governmental agencies or organizations, but in some instances may be for-profit entities. (State agencies routinely monitored by the Office of the State Auditor are not necessarily included in this definition, but consideration should be based on prior experience with the state agency in question.)
- C. Federal or State Awards: Financial assistance and cost-reimbursement contracts that non-federal and non-state entities receive directly from federal or state awarding agencies or indirectly from pass-through entities. (The payments received for goods or services provided as a vendor are not considered federal or state awards.)
- D. Monitoring: Activities that are part of a continuous improvement strategy designed to assure that public funds are allocated and spent in a manner that maximizes the level of program benefits to the public and to other stakeholders (e.g. granting agency, DPH, and the subrecipient). Monitoring is incorporated into all aspects of the post-award process.
- E. Cost Disallowance: A charge to a grant that the division determines to be unallowable, according to the applicable cost principles (OMB Circular A-122 for non-profit organizations, A-21 for educational institutions, and A-87 for state, local, and Indian tribal governments) or other award terms and conditions. The general rule of thumb for any costs to be considered proper is that they must be allowable, allocable, necessary, reasonable, and treated consistently.
- F. Temporarily Withholding Funds: Action taken by the division, after appropriate administrative procedures have been followed, which delays a subrecipient's ability to access its grant funds until it takes corrective action required by the pass-through entity.
- G. Suspension: Action by the division that temporarily suspends financial assistance under the award, pending corrective action by the subrecipient or a pass-through entity's decision to terminate the award.
- H. Termination: Permanent cancellation of the subrecipient's authority to obligate all or part of the funds awarded to it. Awards may be terminated under the following conditions as outlined in OMB Circular A-110:

1. By the division, if the subrecipient materially fails to comply with the terms and conditions of the award;
 2. By the division, with the consent of the subrecipient; or
 3. By the subrecipient, upon sending written notification to the agency stating the reasons for the termination.
- I. Voiding of a Grant: Determining that the award was obtained fraudulently, or was otherwise illegal or invalid from inception. Voiding, in effect, is a decision that the grant never legally existed. Such determinations are rare, but possible.
- J. Debarment and suspension: Government-wide actions based on Executive Order 12549 which exclude a person or organization from participating in grants or other assistance awards. Suspensions are temporary actions, not to exceed 18 months, generally leading to debarment, implemented only when immediate action is needed to protect the government's interest. Debarment generally lasts three years.

IV. PROGRAMS

The Division of Public Health currently operates 38 programs that are subject to subrecipient monitoring. These programs are listed below by section. To obtain definitions of these programs, refer to the DHHS Program Management Database (PMD).

Section	Branch	Supplement Number	Comp Sup Program Name	Monitoring System Name	DHHS PMD Program name	DHHS PMD Services
Chronic Disease and Injury Prevention	Cancer Control	SF-103	Epilepsy and Neurological Disorders Program	Epilepsy and Neurological Disorders Program	Epilepsy and Neurological Disorders Program	Epilepsy and Neurological Disorders Program
Chronic Disease and Injury Prevention	Cancer Control	SF-107	Kidney Disease Program	Kidney Disease Program	Kidney Program	Kidney Program
Chronic Disease and Injury Prevention	HDSP	93.945	Cardiovascular Health Program	Heart Disease and Stroke Prevention	Heart Disease and Stroke Prevention	Patient Education Materials; Social Marketing; Progress Check; HDSP Administration; Training
Chronic Disease and Injury Prevention	Injury and Violence Prevention	SF-195 (CFDA # 93.136)	Rape Prevention and Education	Rape Prevention and Education	Rape Prevention and Education	Rape Prevention and Education (3)
Chronic Disease and Injury Prevention	Injury and Violence Prevention	SF-185	Programs for the Prevention of Fire Related Injuries	Get Alarmed! North Carolina	Get Alarmed! North Carolina	
Chronic Disease and Injury Prevention	PAN	SF-186	Alice Aycock Poe Center for Health Education	Alice Aycock Poe Center for Health Education		
Chronic Disease and Injury Prevention	PAN	SF-5	Arthritis Program	Arthritis Program	Arthritis Program	Arthritis Education
Chronic Disease and Injury Prevention	PAN	93.991-1	Statewide Health Promotion Program	Statewide Health Promotion Program	NC Statewide Health Promotion	NC Statewide Health Promotion, Administrative and program support
Epidemiology	HIV/STD Prevention and Care	SF-27	Eastern NC Pediatric HIV Case Management Services	Eastern NC Pediatric HIV Case Management Services	HIV Pediatric Case Management	HIV Pediatric Case Management
Epidemiology	HIV/STD Prevention and Care	93.959 (Substance Abuse Block Grant)	HIV Non-traditional Test Sites - Substance Abuse	HIV Non-traditional Test Sites - Substance Abuse	DMH/DD/SAS is lead agency	
Epidemiology	HIV/STD Prevention and Care	93.940-CL	HIV Prevention Project; HIV/AIDS Surveillance; Comprehensive STD Prevention Systems	HIV Prevention Project; HIV/AIDS Surveillance; Comprehensive STD Prevention Systems	HIV/STD Prevention and Community Planning	HIV/STD Prevention and Community Planning; HIV/STD Prevention Activities
Epidemiology	HIV/STD Prevention and Care	14.241	Housing Opportunities for Persons with AIDS (HOPWA)	Housing Opportunities for Persons with AIDS (HOPWA)	Housing Opportunities for Persons with AIDS (HOPWA)	Housing Opportunities for Persons with AIDS (HOPWA)
Epidemiology	HIV/STD Prevention and Care	93.917	Ryan White Program	Ryan White Program	AIDS Care	Ryan White Services

Section	Branch	Supplement Number	Comp Sup Program Name	Monitoring System Name	DHHS PMD Program name	DHHS PMD Services
Office of Minority Health/Health Disparities		SF-137 (93.006)	State and Territorial and Technical Assistance Capacity Development Minority HIV/AIDS Demonstration Program	Minority HIV/AIDS Demonstration Program		
Women and Children's Health	Children and Youth	93.994-11	Child Service Coordination Program	Child Service Coordination Program	Children's Health Services	Child Service Coordination
Women and Children's Health	Children and Youth	93.994-8	Children's Special Health Services	Children's Special Health Services	Children's Health Services	Children's Special Health Services
Women and Children's Health	Children and Youth	93.778-5	Community Transition Coordinator Program	Community Transition Coordinator Program	Children's Health Services	Community Transition Coordinator
Women and Children's Health	Children and Youth	SF-16	Comprehensive Adolescent Health Care Projects (School Based Health Centers)	Comprehensive Adolescent Health Care Projects (School Based Health Centers)	Children's Health Services	School Health
Women and Children's Health	Children and Youth	93.994-5	Genetic Health Care Program/Maternal and Child Health Services Block Grant	Genetic Health Care Program/Maternal and Child Health Services Block Grant	Children's Health Services	Genetic Services
Women and Children's Health	Children and Youth	SF-111	Neonatal Bed Locator Service	Neonatal Bed Locator Service	Maternal Health	
Women and Children's Health	Children and Youth	93.994-12	School Nurse Funding Initiative	School Nurse Funding Initiative	Children's Health Services	School Health
Women and Children's Health	Children and Youth	93.251	Universal Newborn Hearing Screening	Universal Newborn Hearing Screening	Children's Health Services	Newborn Hearing Screening
Women and Children's Health	Children and Youth	None		Hemophilia Assistance	Children's Health Services	Hemophilia
Women and Children's Health	Immunization	93.268-3	Immunization Program/Vaccine Distribution	Immunization Program/Vaccine Distribution	Immunization Program/Vaccine Distribution	Vaccine Distribution and Administration
Women and Children's Health	Nutrition Services	10.558	Child & Adult Care Food Program	Child & Adult Care Food Program	Child & Adult Care Food Program	Child & Adult Care Food Program
Women and Children's Health	Nutrition Services	10.557	Special Supplemental Nutrition Program for Women, Infants, & Children	Special Supplemental Nutrition Program for Women, Infants, & Children	Special Supplemental Nutrition Program for Women, Infants, & Children	WIC
Women and Children's Health	Nutrition Services	10.559	Summer Food Service Program for Children	Summer Food Service Program for Children	Summer Food Service Program for Children	SFSP
Women and Children's Health	Women's Health	93.778-6	Adolescent Parenting Program	Adolescent Parenting Program	Teen Pregnancy Prevention Initiatives (TPPI)	

Section	Branch	Supplement Number	Comp Sup Program Name	Monitoring System Name	DHHS PMD Program name	DHHS PMD Services
Women and Children's Health	Women's Health	93.558-6CL	Adolescent Pregnancy Prevention Program	Adolescent Pregnancy Prevention Program	Teen Pregnancy Prevention Initiatives (TPPI)	Adolescent Pregnancy Prevention Program (APPP)
Women and Children's Health	Women's Health	93.217	Family Planning	Family Planning	Family Planning	Family Planning Clinical Services
Women and Children's Health	Women's Health	93.778-3	First Step Campaign and NC Family Health Resource Line	First Step Campaign and NC Family Health Resource Line	Maternal Health	
Women and Children's Health	Women's Health	93.926	Healthy Start Baby Love Plus Initiative	Baby Love Plus	Baby Love Plus	Outreach/Case Management
Women and Children's Health	Women's Health	DHHS-46	Maternity Care Coordination (Baby Love)	Baby Love	Baby Love	Case Management
Women and Children's Health	Women's Health	93.994-13	Minority Infant Mortality Reduction Program (Healthy Beginnings)	Healthy Beginnings	Healthy Beginnings	Support Services
Women and Children's Health	Women's Health	93.778-7	Sickle Cell Patient Services	Sickle Cell Patient Services	NC Sickle Cell Syndrome Program	Medical Services; Care Coordination
Women and Children's Health	Women's Health	SF-161	Smoking Cessation for Pregnant Teens	Smoking Cessation for Pregnant Teens	Women's Health Tobacco Use	Smoking Cessation Counseling
Women and Children's Health	Women's Health	93.994-3	Healthy Mothers/Healthy Children	Healthy Mothers/Healthy Children	Healthy Mothers/Healthy Children	Prenatal Care; Child Health; Family Planning Clinical Services
Women and Children's Health	Women's Health	SF-70	Targeted Infant Mortality Reduction Program	Targeted Infant Mortality Reduction Program		
Chronic Disease and Injury Prevention		SF-112 (93.283)	Well Integrated Screening and Evaluation for Women Across the Nation (WISEWOMAN)	WISEWOMAN	NC WISEWOMAN Project	
		93.576-4	NC Refugee Health Program			
Chronic Disease and Injury Prevention		SF-110 (93.919)	BCCCP???			
Women and Children's Health		93.994-6	High Risk Maternity Clinics			

Section	Branch	Supplement Number	Comp Sup Program Name	Monitoring System Name	DHHS PMD Program name	DHHS PMD Services
Chronic Disease and Injury Prevention	Tobacco Prevention and Control Branch	93.283-3	Comprehensive Tobacco Use Prevention and Control Program		Tobacco Prevention and Control	Program Administration, Education

V. Subrecipients

Refer to Appendix G for a listing of programs, applicable compliance supplements, associated subrecipients, the type of subrecipients, the primary monitors for each subrecipient, and the funding sources.

VI. Risk Assessment

Each subrecipient will be categorized as low, medium, or high risk depending upon the criteria set forth below. The frequency and intensity of monitoring techniques applied to a given subrecipient will be directly proportional to the level of risk assigned.

DPH sections may choose to add other factors of program concern to the criteria and monitoring effort lists. When assessing the risk category of a subrecipient, the section may consider as few, or as many, of the criteria factors that apply. Two subrecipients may therefore be assigned the same risk category but for very different reasons; likewise, the monitoring effort for the same two agencies may also vary.

Risk level categories will be determined prior to any sub-award to a new subrecipient agency and reassessed at least annually.

The following criteria will be used to assess the risk category of subrecipient agencies and to assign the monitoring techniques that will be used, as a minimum, for each category. All factors listed for consideration may not apply to every subrecipient agency. In such cases, some judgement may be necessary to determine the applicability. Refer to Appendix B for a suggested format for determining risk assessment and Appendix C for a suggested format for a log to compile risk assessment information on all subrecipients.

- A. Low risk subrecipients: Agencies that meet some or all of the following criteria should be considered for designation as low risk.
1. At least 75% of key administrative and programmatic staff are technically and professionally qualified for their positions and have been in the position for at least one year.
 2. Subrecipient has no outstanding audit findings or previously identified management weaknesses from other sources.
 3. Subrecipient has no unfavorable variances, discrepancies or omissions on routine program or fiscal reporting.
 4. Subrecipient routinely spends less than \$15,000 in federal grant funds.
 5. Subrecipient is in its second or later sub-award year for the program under consideration.
- B. Medium risk subrecipients: Agencies that meet some or all of the following criteria should be considered for designation as medium risk.
1. Between 50% and 75% of key administrative and programmatic staff are technically and professionally qualified for their position and have been in the position for at least one year.
 2. Subrecipient has some minimal audit findings and/or minimal identified management weaknesses.
 3. Routine program and fiscal reporting indicates minimal discrepancies or weaknesses.

4. Subrecipient has no prior experience with the Division but has had successful relationships with other divisions in DHHS.
- C. High risk subrecipients: Agencies that meet some or all of the following criteria should be considered for designation as high risk.
1. Less than 50% of key administrative and programmatic staff are technically and professionally qualified for their positions and the staff has limited experience.
 2. Subrecipient has significant audit findings or other identified management weaknesses.
 3. Routine program and fiscal reporting reflects significant discrepancies or omissions.
 4. Subrecipient is currently assessed as high-risk by one or more DPH program.
The subrecipient is notified by letter of a high risk assessment and a specific date for corrective action will be defined on the letter.

The Local Technical Assistance and Training Office at DPH will determine if conditions warrant assignment of a high risk assessment to a local health department for fiscal reasons. The division remains responsible for monitoring programmatic compliance and progress for government agencies and for assessing the associated programmatic risk.

- D. A subrecipient's risk category can change at any time and should be reassessed whenever irregularities are noted. Such irregularities include, but are not limited to:
1. Consistently late or flawed financial or programmatic reporting.
 2. Failure to comply with other requirements of the sub-award contract.
 3. Complaints from vendors, beneficiaries or the general public alleging poor service, fraud, waste or abuse.
 4. Frequent or unusual requests for technical assistance from the subrecipient agency.
 5. Categorical expenditures that vary significantly from budgeted amounts.
 6. Unfavorable media coverage of a subrecipient.
 7. Indications that the subrecipient agency is experiencing difficulties with another sub-award.
 8. Change in key personnel (e.g., executive director).

Each instance must be individually assessed to determine its reliability as an indicator that an agency may be experiencing difficulties meeting the sub-award requirements.

VII. MONITORING PROCEDURES

Monitoring is an ongoing activity that begins at the application process and continues throughout the award and the life of the contract. The monitoring process should include the following elements.

- A. Outreach to potential subrecipients: In the Request For Proposal (RFP) or Request For Application (RFA) phase, the division must clearly convey its commitment to the goals of the respective program or project; legal and programmatic requirements for compliance with applicable administrative rules and cost principles; and agency application procedures, formats and deadlines.
- B. Formulation of specifications for selecting subrecipients: The program managers should develop guidelines for selection of subrecipients that include consideration of past performance in the administration of sub-awards; appraisal of the potential subrecipient's program goals, objectives and evaluation procedures; analysis of the proposed budget and its narrative explanation; and appraisal of the applicant's facilities, manpower (to include expertise), and management capabilities.
- C. Application review: The application review process should be structured to ensure consideration of the applicant's compliance with RFP requirements. The review must also measure and record each applicant's relative attainment of pre-established selection criteria.
- D. Pre-decisional site visit: Site visits are required prior to a final award to any non-governmental agency:
 - 1. That has not received previous grant awards, or that has not been awarded grant funds for a particular program before.
 - 2. Whose previous performance raises questions about its ability to comply with programmatic or fiscal requirements.

The project monitor and a fiscal representative should conduct pre-decisional site visits. The applying or bidding agency should complete an Internal Control Questionnaire. This will be used as an aide in assessing the subrecipient agency's risk category.

Refer to Appendix A for the Internal Control Questionnaire (**two versions**.)

- E. Pre-award negotiation: Any areas of concern or need for additional information or clarification noted during the application review should be addressed to the applicant prior to award. At this stage in the sub-award process, the division should firmly and clearly delineate its expectations and ensure that the potential subrecipient understands and will support the agency's programmatic goals and values.
- F. Monitoring: The amount of financial and programmatic monitoring, and the techniques used, will vary based upon the DPH risk-based system outlined in Section VI.

DPH programs are expected to conduct monitoring activities in a manner that will foster on-going communication between agencies and their subrecipients.

G. Program review, evaluation, and renewal: The division can use the lessons learned through monitoring to provide feedback to all of their subrecipients and to anticipate technical assistance needs in the next cycle of awards. Such an ongoing dialogue between the division and its subrecipients will help develop an appreciation for each other's perspective, will facilitate continuous improvement, and will maximize attainment of program goals.

I. Documentation: The following information should be contained in a file for each subrecipient:

1. Subrecipient Risk Assessment Form
2. Subrecipient Monitoring Log
3. Financial and Programmatic Checklists
4. Monitoring Documentation Form (optional)

I. The monitor should prepare for the monitoring activity by reviewing:

1. The RFP, RFI, work plan or other available documents to gain an understanding of the program, services, and deliverables.
2. State and federal laws applicable to the program.
3. The contract and funding authorization documents.
4. The prior year audit, if available.
5. The Internal Control Questionnaire.
6. The Compliance Supplement for the program to determine which compliance requirements are applicable.

J. The *minimum* levels of scrutiny and the required techniques to be used in the monitoring activity are defined beginning in Section VII. K.; however, a more inclusive list of suggested approaches that may be employed follows:

1. Reviewing subrecipient reports;
2. Conducting site visits to review financial and programmatic records and observing operations;
3. Arranging for limited scope audits for certain aspects of subrecipient activities;
4. Reviewing the subrecipient's single audit or program-specific audit results and evaluating audit findings and the subrecipient's corrective action plan;
5. Encouraging frequent and open communications through telephone calls, e-mail, or letters;
6. Ensuring that prior approval requirements are included in sub-awards and that they are reviewed against the approved sub-award budget and scope;
7. Establishing a comments and complaints hotline for use by program beneficiaries, vendors, and members of the general public;
8. Reviewing media coverage of subrecipient agencies;

9. Hosting an annual conference for subrecipients;
10. Promulgating centralized training sessions for subrecipients.

At least annually, the project monitor assigns the subrecipient agency's risk category, records the basis for his/her decision on the Subrecipient Risk Assessment Form (Appendix B), and provides a copy to the subrecipient agency. The assigned risk category is then recorded on the Subrecipient Monitoring Log (Appendix C).

Based upon the risk category assigned and the required frequency of site visits for that category, the project monitor schedules a site visit and records the date on the Subrecipient Monitoring Log. After conducting the site visit, the Monitoring Tool/Instrument (Appendix D) is filed in the subrecipient's file. A copy of the checklist is also provided to the monitor's fiscal officer for review. All monitoring activities should be recorded in the Monitoring Log.

L. Monitoring Low Risk Subrecipients

1. The following monitoring activities are required:
 - a. Review routine program and fiscal reports.
 - b. Site visit at least every three years.
 - c. Review procedures/documentation listed on the Monitoring Tool/Instrument (Appendix D) and maintain the checklists on file.
2. Perform the following activities to ensure that Compliance Requirements are addressed:
 - a. Activities Allowed/Unallowed
 - (1) Review expenditure reports/requests for funds for Activities Allowed/Unallowed.
 - (2) Review progress reports.
 - (3) Review agency contracts with others.
 - b. Allowable Cost/Cost Principles
 - (1) Determine if agency knows which cost principles it must follow.
 - (2) Determine if agency charges indirect cost and determine if it is approved by a federal agency or audited by CPA.
 - (3) If agency provides more than one service and has more than one funding source, review cost allocation plan.
 - (4) Review charges for indirect cost.
 - c. Cash Management: Review all documentation if agency has requested more than 60-day advance.
 - d. Davis-Bacon Act (applies only to HOPWA)

- (1) Determine if subrecipient is aware of requirements.
 - (2) Determine if subrecipient is receiving copies of certified payrolls.
- e. Eligibility
- (1) Determine if agency is aware of eligibility requirements.
 - (2) Review copy of eligibility determination tool/document/application.
 - (3) Review verification documentation.
 - (4) Review benefit/payment calculation.
- f. Equipment and Real Property Management
- (1) Review expenditure accounts to determine if expenditures for equipment are within budget allowances.
 - (2) Review agency's internal policies for equipment acquisition, inventory and disposition.
 - (3) Review most recent physical equipment inventory results.
- g. Matching/Level of Effort/Earmarking
- (1) Review budget to determine if sufficient match budgeted.
 - (2) Review progress reports to determine if activity-based level of effort/earmarking requirements met.
 - (3) Review expenditure reports for sufficient match.
- h. Period of Availability of Funds
- (1) Review budget and expenditure reports to determine likelihood of funding availability at end of period.
 - (2) Review agency's internal procedures for encumbering funds.
- i. Procurement/Suspension/Debarment
- (1) Determine if agency has certification statements from all non-profit subrecipients.
 - (2) Review internal control information to verify that the information indicates that all purchasing and procurement policies are in compliance with State and federal laws and regulations.
 - (3) Review copy of agency's internal purchasing procedures.
- j. Program Income
- (1) Review activity reports to see if any activities appear to generate program income.
 - (2) Review request for funds to see if program income deducted or reflected.

- k. Real Property Acquisition (only applies to HOPWA): Refer to the individual contract with the agency for guidance.
- l. Reporting
 - (1) Determine if agency's reports are filed timely and in the proper format.
 - (2) Determine which basis of accounting the agency follows.
 - (3) Determine the methodology for generating program/activity reports.
 - (4) Review financial and programmatic reports.
- m. Subrecipient Monitoring
 - (1) Review agency's subrecipient monitoring plan.
 - (2) Review documentation of subrecipient monitoring activities.
- n. Special Tests and Provisions: Review the laws, regulations, and the provisions of the contract or grant agreements and determine if the subrecipient is adhering to any Special Tests and Provisions.
- o. Conflict of Interest: Verify that the agency has a notarized copy of a Conflict of Interest statement.

M. Monitoring Medium Risk Subrecipients

- 1. The following monitoring activities are required for Medium Risk Subrecipients:
 - a. Review routine program and fiscal reports.
 - b. Site visit at least annually.
 - c. Review procedures/documentation listed on the Monitoring Tool/Instrument (Appendix D) and maintain the checklists on file.
- 2. Perform the following activities to ensure that Compliance Requirements are addressed:
 - a. Activities Allowed/Unallowed:
 - (1) Request and review a copy of expenditure reports/requests for funds.
 - (2) Review progress reports.
 - (3) Request and review a copy of the agency contracts with others.
 - b. Allowable Cost/Cost Principles
 - (1) Determine if agency knows which cost principles it must follow.
 - (2) Determine if agency charges indirect cost and determine if it is approved by a federal agency or audited by CPA.

- (3) Request and review copy of cash disbursements journal/general ledger. Ask the agency's fiscal officer to walk you through the process if you need assistance.
 - (4) If agency provides more than one service and has more than one funding source, request and review copy of cost allocation plan.
 - (5) Request and review copy of charges for indirect cost.
- c. Cash Management: Review all documentation if agency has requested more than 60-day advance.
- d. Davis-Bacon Act (applies only to HOPWA)
 - (1) Determine if subrecipient is aware of requirements.
 - (2) Determine if subrecipient is receiving copies of certified payrolls.
 - (3) Request a copy of a certified payroll and compare it to the prevailing wage rates for the locality.
- e. Eligibility
 - (1) Determine if agency is aware of eligibility requirements.
 - (2) Request and review copy of eligibility determination tool/document/application.
 - (3) Request and review copies of verification documentation.
 - (4) Request and review copies of benefit/payment calculation.
- f. Equipment and Real Property Management
 - (1) Request and review copy of expenditure accounts to determine if expenditures for equipment are within budget allowances.
 - (2) Request and review copy of agency's internal policies for equipment acquisition, inventory and disposition.
 - (3) Request and review most recent physical equipment inventory results.
- g. Matching/Level of Effort/Earmarking
 - (1) Request and review copy of budget to determine if sufficient match/MOE budgeted.
 - (2) Request and review copy of progress reports to determine if activity-based level of effort/earmarking requirements met.
 - (3) Request and review copy of expenditure reports for sufficient match/MOE.
 - (4) Request and review copy of cash disbursements journal/general ledger for match/MOE, fiscal earmarking.

- (5) Request and review copy of audit activity records for appropriate levels of services.
- h. Period of Availability of Funds
 - (1) Review budget and expenditure reports to determine likelihood of funding availability at end of period.
 - (2) Review agency's internal procedures for encumbering funds.
- i. Procurement/Suspension/Debarment
 - (1) Determine if agency has certification statements from all non-profit subrecipients.
 - (2) Review internal control information to verify that the information indicates that all purchasing and procurement policies are in compliance with State and federal laws and regulations.
 - (3) Review copy of agency's internal purchasing procedures.
- j. Program Income
 - (1) Review activity reports to see if any activities appear to generate program income.
 - (2) Review request for funds to see if program income deducted or reflected.
- k. Real Property Acquisition (only applies to HOPWA): Refer to the individual contract with the agency for guidance.
- l. Reporting
 - (1) Determine if agency's reports are filed timely and in the proper format.
 - (2) Determine which basis of accounting the agency follows.
 - (3) Determine the methodology for generating program/activity reports.
 - (4) Review financial and programmatic reports.
- m. Subrecipient Monitoring
 - (1) Request and review a copy of agency's subrecipient monitoring plan.
 - (2) Request and review a copy of documentation of subrecipient monitoring activities.
- n. Special Tests and Provisions: Review the laws, regulations, and the provisions of the contract or grant agreements and determine if the subrecipient is adhering to any Special Tests and Provisions.
- o. Conflict of Interest

- (1) Verify that the agency has a notarized copy of a Conflict of Interest statement.
- (2) Discuss with the agency director that they understand the intent of the policy.

N. Monitoring High Risk Subrecipients

2. The following monitoring activities are required for high risk subrecipients.
 - a. Review routine program and fiscal reports.
 - b. Schedule site visits at least semiannually.
 - c. Review procedures/documentation listed on the Monitoring Tool/Instrument (Appendix D) and maintain the checklists on file.
 - d. Conduct on-site verification of applicable sections of the Internal Control Questionnaire (Appendix A).
 - e. Follow-up reviews of routine program and fiscal reports with telephone discussions and on-site verification as appropriate.
2. Perform the following activities to ensure that Compliance Requirements are addressed:
 - a. Activities Allowed/Unallowed:
 - (1) Request and review a copy of expenditure reports/requests for funds.
 - (2) Review progress reports.
 - (3) Review cash disbursements journal/general ledger.
 - (4) Request and review a copy of the agency contracts with others.
 - (5) Observe program activities.
 - b. Allowable Cost/Cost Principles
 - (1) Determine if agency knows which cost principles it must follow.
 - (2) Determine if agency charges indirect cost and determine if it is approved by a federal agency or audited by a CPA.
 - (3) Request and review copy of cash disbursements journal/general ledger.
 - (4) If agency provides more than one service and has more than one funding source, request and review copy of cost allocation plan.
 - (5) Request and review copy of charges for indirect cost.
 - (6) Pull a random sample of expenditures and review extensively.

- c. Cash Management: Review all documentation if agency has requested more than 60-day advance.
- d. Davis-Bacon Act (applies only to HOPWA)
 - (1) Determine if subrecipient is aware of requirements.
 - (2) Determine if subrecipient is receiving copies of certified payrolls.
 - (3) Request a copy of a certified payroll and compare it to the prevailing wage rates for the locality.
- e. Eligibility
 - (1) Determine if agency is aware of eligibility requirements.
 - (2) Request and review copy of eligibility determination tool/document/application.
 - (3) Request and review copies of verification documentation.
 - (4) Request and review copies of benefit/payment calculation.
 - (5) Pull a random sample of individuals/families both receiving and denied benefits and review extensively.
- f. Equipment and Real Property Management
 - (1) Request and review copy of expenditure accounts to determine if expenditures for equipment are within budget allowances.
 - (2) Request and review copy of agency's internal policies for equipment acquisition, inventory and disposition.
 - (3) Request and review most recent physical equipment inventory results.
 - (4) Review the agencies fixed assets records to assure that the records contain basic information.
 - (5) Physically inspect equipment acquired with the State or federal funds to determine consistency with planned acquisitions.
- g. Matching/Level of Effort/Earmarking
 - (1) Request and review copy of budget to determine if sufficient match/MOE budgeted.
 - (2) Request and review copy of progress reports to determine if activity-based level of effort/earmarking requirements met.
 - (3) Request and review copy of expenditure reports for sufficient match/MOE.
 - (4) Request and review copy of cash disbursements journal/general ledger for match/MOE, fiscal earmarking.
 - (5) Request and review copy of audit activity records for appropriate levels of services.

- (6) Select a random sample of expenditures and trace back to the general ledger to determine if expenditures are appropriately matched.
- h. Period of Availability of Funds
- (1) Review budget and expenditure reports to determine likelihood of funding availability at end of period.
 - (2) Review agency's internal procedures for encumbering funds.
 - (3) Test a random sample of expenditures and encumbrances to ensure they fall into the period of availability.
- i. Procurement/Suspension/Debarment
- (4) Determine if agency has certification statements from all non-profit subrecipients.
 - (5) Review internal control information to verify that the information indicates that all purchasing and procurement policies are in compliance with State and federal laws and regulations.
 - (6) Review copy of agency's internal purchasing procedures.
 - (7) Select a random sample of procurement documents to determine compliance with State laws and procedures and other applicable policies.
- j. Program Income
- (8) Review activity reports to see if any activities appear to generate program income.
 - (9) Review request for funds to see if program income deducted or reflected.
 - (10) Review the receipts journal or general ledger to determine if receipts have been recorded that should be counted as program income and if they are coded correctly.
- k. Real Property Acquisition (only applies to HOPWA): Refer to the individual contract with the agency for guidance.
- l. Reporting
- (11) Determine if agency's reports are filed timely and in the proper format.
 - (12) Determine which basis of accounting the agency follows.
 - (13) Determine the methodology for generating program/activity reports.
 - (14) Review financial and programmatic reports.
 - (15) Select a sample of reports received. Analyze the procedures and ascertain the reason for any unexpected differences.
- m. Subrecipient Monitoring
- (16) Request and review a copy of agency's subrecipient monitoring plan.

- (17) Request and review a copy of documentation of subrecipient monitoring activities.
- (18) Review a sample of contracts and subrecipient files.
- n. Special Tests and Provisions: Review the laws, regulations, and the provisions of the contract or grant agreements and determine if the subrecipient is adhering to any Special Tests and Provisions.
- o. Conflict of Interest
 - (1) Verify that the agency has a notarized copy of a Conflict of Interest statement.
 - (2) Discuss with the agency director that they understand the intent of the policy.
 - (3) Ask to see the Board Meeting minutes documenting that the policy was adopted.

At least annually, the project monitor re-assesses the subrecipient agency's risk category, records the basis for his/her decision on the Subrecipient Risk Assessment Form (Appendix B), provides a copy to the subrecipient agency, and, if high risk, provides a copy to the Division office. The assigned risk category is then recorded on the Subrecipient Monitoring Log (Appendix C).

Based upon the risk category assigned and the required frequency of site visits for that category, the project monitor schedules a site visit and records the date on the Subrecipient Monitoring Log. After the monitor completes the site visit, the Monitoring Tool/Instrument (Appendix D) is filed in the subrecipient's file. A copy of the Financial Checklist is also provided to the monitor's fiscal officer for review. All monitoring activities should be recorded in the Monitoring Log. Copies of the records are maintained in the subrecipient agency's file.

- O. Monitors are required to compile and maintain a notebook on each subrecipient that includes the following information. These notebooks are kept in a central location in each section.
 - 1. Project Monitor Information
 - 2. Map and/or Directions
 - 3. Copy of Contract and Amendments
 - 4. Copy of Application/Proposal
 - 5. Revised Budget Pages w/Justification
 - 6. Completed Site Visit Checklists
 - 7. Risk Assessment Form(s)
 - 8. High-Risk Notification Letter
 - 9. Monitoring Documentation
 - 10. Latest Quarterly Narrative Report

11. Correspondence From, To or Pertaining to the Agency

P. Once the Subrecipient Monitoring System is populated with DPH Subrecipient data, the program monitors will be responsible for keeping the system current. All users will be able to access any subrecipient to review monitoring documentation including any problems.

VIII. Sanctions for non-compliance

If the division suspects or determines that the subrecipient has failed to adhere to required guidelines the following actions should be completed and documented as necessary.

- A. Section/program staff should first make every effort to work with the subrecipient agency to identify and document problems, plan steps to resolve them, and monitor the results of corrective actions taken. Note: When a disallowed cost is found, then DPH will recoup the funding and document this action in a way that is connected to the documentation of the disallowance.
- B. If the subrecipient agency is slow to comply with contractual requirements, sanctions may have to be temporarily imposed. Available sanctions are listed below and are defined in Section III.
 1. Cost disallowance
 2. Temporarily withholding funds
 3. Suspension
 4. Termination
 5. Voiding of a grant
 6. Debarment
 7. Suspension
- C. DPH is authorized to implement cost disallowance and temporary withholding of funds as necessary without prior approval. When more stringent sanctions are required, the program should:
 1. Develop a proposed plan of action.
 2. Notify the director or her designee of the problem, actions to date and proposed response.
 3. Request approval of requested sanctions.
- D. The Division will ensure that all of its program areas are notified of sanctions that the Division approves to be implemented against a subrecipient. These sanctions can then be considered when assessing that subrecipient for assignment of a risk category if they apply for, or already receive, a sub-award from another program area.
- E. If necessary, DPH will request assistance from the DHHS Auditors Office or externally.

IX. Responsible Party

The Division of Public Health's lead monitoring coordinator is the Contracts Manager. This individual's staff is in the process of gathering data needed to download all of DPH's subrecipient information into the DHHS Monitoring System.