
VIRTUAL FINANCIAL MANAGEMENT INSTITUTE

EFFECTIVE SUBRECIPIENT MONITORING FOR CAREER AND TECHNICAL EDUCATION PROGRAMS



U.S. Department of Education • Office of Vocational and Adult Education • Division of Academic and Technical Education



105 Module introduction

About this module

Being able to identify risks and apply them to the subrecipient monitoring process is an important result of the auditing process and its findings. This module is designed to help you use risk-based subrecipient monitoring.

In this module

This module contains the following topics:

- The U.S. Department of Education's expectations regarding subrecipient monitoring
- How to review a State's subrecipient monitoring responsibilities
- Use of the Federal Clearinghouse Database as a subrecipient monitoring tool
- Risk-based approaches to subrecipient monitoring
- The importance of developing a subrecipient monitoring plan



105 Module objectives

Goal

The **Subrecipient Monitoring** module will enable you to understand and apply the principles of using risk indicators to assess and develop monitoring plans.

Objectives

After completing this module, you should be able to:

- Define risk-based subrecipient monitoring
- List the Federal requirements that govern the single-audit process
- Identify significant risk indicators for the subrecipient monitoring process
- Develop a monitoring plan based on risk assessment and available resources



105 What is a subrecipient?

Description

A subrecipient is:

- A non-Federal entity that expends Federal awards received from a pass-through entity to carry out a Federal program
- A recipient of other Federal awards directly from a Federal awarding agency

A subrecipient does not include individuals that are beneficiaries of Federal awards or programs.

Applicable regulation

OMB Circular No. A-133, Subpart A, §105 applies to subrecipients.



105 EDGAR requirements

Applicable regulations

Section 34 CFR § 80.40(a) states that grantees:

- Are responsible for managing the day-to-day operations of grant and subgrant supported activities
- Must monitor grant and subgrant supported activities to ensure compliance with applicable Federal requirements and that performance goals are being achieved. Grantee monitoring must cover each program, function, or activity.



105 Subrecipient monitoring expectations

Applicable requirements

OMB Circular No. A-133 outlines the standards for Federal audits under the Single Audit Act and provides guidance regarding a grantee's subrecipient monitoring duties.

"A pass-through entity shall...[m]onitor the activities of 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."

OMB Circular No. A-133, Subpart A, §105



105 About subrecipient monitoring

Definition

Subrecipient monitoring describes any action taken by grantees throughout the life of a grant to ensure legal compliance and program performance. The requirements that govern subrecipient monitoring are stated in OMB Circular No. A-133, Subpart A, §105.

Description

Subrecipient monitoring should not be viewed as a series of distinct events, but as an ongoing conversation between the grantee and subrecipient, which helps identify areas of non-compliance or non-performance in need of corrective action and technical assistance. This identifies areas of strength and provides an opportunity for grantees to recognize a subrecipient's successes.



105 Additional guidance

Federal guidelines

Single Audit Act, 1996 Amendments, 31 U.S.C. §7502(f)(2)(B)

Grantee responsibilities

Grantees must:

- Monitor subrecipients through site visits, limited scope audits, or other means;
- Review subrecipient audits as necessary to determine whether prompt and appropriate corrective actions have been taken;
- Require subrecipients to make records and financial statements available to independent auditors

Section M of the OMB A-133 Compliance Supplement



105 Subrecipient monitoring responsibilities

Monitoring responsibilities

1. Identify Federal awards made by informing each subrecipient of CFDA title and number, award name and number, award year;
2. Advise subrecipients of requirements imposed on them by Federal laws, regulations, and the provisions of contracts or grant agreements;
3. Monitor the activities of 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;
4. Ensure that subrecipients expending \$500,000 or more in Federal awards during the subrecipient's fiscal year have met the audit requirements of this part or that fiscal year;
5. Issue a management decision on audit findings within six months after receipt of the subrecipient's audit report and ensure that the subrecipient takes appropriate and timely corrective action;
6. Consider whether subrecipient audits necessitate adjustment of the pass-through entity's own records; and,
7. Require each subrecipient to permit the State (pass-through entity) and auditors to have access to the records and financial statements as necessary for the pass-through entity to comply with this part.



105 Secondary subrecipients

Description

A secondary CTE program subrecipient must be:

- A **local educational agency (LEA)**, including a public charter school, that is eligible to receive \$15,000 or more under Section 131(a) of Perkins IV;
- An **area career and technical education school** or an **educational service agency** that meets the requirements in Section 131(e) of Perkins IV; or
- A **consortium of LEAs** that meets the requirements in Section 131(f) of Perkins IV (Section 3(14)(A) of Perkins IV (20 USC 2302(14)(A)) and Sections 131(a), (e), and (f) of Perkins IV (20 USC 2351(a), (e), and (f))).



105 Postsecondary subrecipients

Description

For postsecondary CTE programs, a subrecipient must be an *eligible* institution, which is:

- a **public or nonprofit private institution of higher education** that offers career and technical education courses that lead to technical skill proficiency, an industry-recognized credential, a certificate, or a degree;
- a **local education agency (LEA)** providing education at the postsecondary level;
- an **area career technical educational school** providing education at the postsecondary level;
- a **postsecondary education institution controlled by BIA or operated by or on behalf of any Indian tribe** that is eligible to contract with the Secretary of the Interior for the administration of programs under the Indian Self-Determination and Education Assistance Act (25 U.S.C. 450 et seq.);
- an **educational service agency; or a consortium of two or more of these entities** (Section 3(13) of Perkins IV (20 USC 2302(13))).



105 Risk-based monitoring overview

Definition

Risk-based monitoring is a process used by many of the Department of Education's grantees to address compliance issues. This is done by identifying subrecipients that are most likely to:

- Have problems meeting goals due to program complexity
- Fail to meet Federal fiscal or programmatic requirements
- Present a greater risk due to the sheer size of a subrecipient's grant portfolio

Description

Like most grantees, states probably do not have enough resources or staff available to monitor subrecipients as frequently or as thoroughly as you'd like. By identifying its greatest concentrations of risk, a grantee can adjust its monitoring plan to focus attention and resources on subrecipients and programs that require more intensive monitoring.



105 Subrecipient risk

Basis for risk

Risk indicators may be based on internal factors, such as staff turnover or a past history of non-compliance, or based on external factors outside a subrecipient's control, such as the total amount of Federal dollars awarded to a subrecipient.

Evaluating subrecipient risks

The OMB Circular A-133 compliance supplement provides further suggestions for evaluating subrecipient risks.

- New subrecipients will need to be monitored more closely. They may lack experience with Federal programs and will have less information about their prior performance.
- A subrecipient with a history of non-compliance will require closer monitoring.
- High staff turnover in critical positions may adversely affect the administration of an award.



105 Program risk

Definition

According to Part B, Section M of the OMB Circular A-133 Compliance Supplement, a risk indicator can be:

- Any factor that increases the potential harm to the Federal interest
- The likelihood that a subrecipient will not comply with program requirements or meet performance goals

Evaluating program risks

The OMB Circular A-133 compliance supplement lists several factors that may affect the nature, timing, and extent of monitoring efforts.

- Complex program requirements, such as matching or maintenance of effort, are difficult to comply with.
- Awards that are mostly passed through to subrecipients, instead of being expended by a grantee, present a greater risk to the Federal interest.
- The bigger the award amount, the greater the risk to the Federal interest.



105 Sample problem finding

Hypothetical

The grantee's monitoring policy requires a subrecipient assessed as a "significant risk" to undergo an annual onsite monitoring visit. Thirteen subrecipients are classified as significant risks based on a risk assessment. However, the grantee only has resources available to perform eight onsite visits that year.

Problem finding

The state education agency (SEA) is unable to conduct onsite reviews of all subrecipients within a monitoring review cycle.

Possible solutions

The grantee can perform a resource assessment as part of a risk-based monitoring approach:

- Identify available resources and/or alternative resources
- Tie monitoring activities to the grant budget
- Adjust the monitoring schedule so that the compliance plan can be implemented
- Conduct subrecipient meetings using webinars, conference calls, or documentation



105 Avoiding audit and monitoring findings

A-133 single-year audit review

Having a written monitoring plan in place will help you avoid audit and monitoring findings. Your monitoring plan and efforts are scrutinized by auditors as part of your annual A-133 audit and by the Department's monitoring teams.

Suggested audit procedure

A-133 auditors are required to test whether grantees sufficiently monitor Federal programs to provide a reasonable assurance of compliance. The OMB Circular A-133 Compliance Supplement suggests that auditors review subrecipient monitoring policies and procedures in order to gain an understanding of the scope, frequency, and the timeliness of monitoring activities.



105 Subrecipient monitoring activities

Useful tips

1. Review single audits
2. Arrange for limited-scope audits
3. Schedule site visits
4. Review subrecipient reports
5. Require prior approval for certain activities
6. Require third-party evaluations
7. Provide technical assistance and training
8. Make telephone calls and use other means of communication such as e-mail
9. Follow subrecipient coverage in the news
10. Interview or survey staff, board members, end-users, and other stakeholders.



105 Risk analysis process

Evaluating risk

Given the amount of attention that auditors and the Department of Education pay to a monitoring plan, it's important to carefully consider risk in your planning. This risk analysis includes:

1. Identify appropriate risk factors, also known as indicators, and assign each of these indicators a value or weight.
2. Evaluate subrecipients and programs against these indicators, then rank them in order by risk.
3. Perform a resource assessment by identifying available monitoring resources and weighing them against monitoring needs.
4. Adjust the monitoring plan and schedule to address any identified areas of heightened risk and any limitations on resources.



105 Assessing resources

Conducting resource assessments

In addition to risk, the frequency and scope of monitoring will be equally influenced by the amount of resources available. Grantees should conduct a resource assessment to determine the needs of the monitoring plan.

- Determine the amount and types of resources needed to monitor subrecipients and programs.
- Identify the resources available to perform monitoring activities.
- Address the resource limitations and adjust the monitoring plan accordingly.



105 Developing a monitoring plan

Monitoring plan guidelines

As part of the risk assessment, many of the Department's grantees group their subrecipients and programs by risk level, such as low, medium, and high risk. The frequency and scope of monitoring activities are then based, in part, on a subrecipient's risk level. As part of a monitoring plan, a schedule should be developed that sets forth the frequency and scope of monitoring:

- Reconcile difference between need and availability of resources
- Adjust monitoring schedule based on identified risks and available resources
- Schedule technical assistance based on identified risks



105 Federal Audit Clearinghouse

About the FAC

The Federal Audit Clearinghouse (FAC), located at <http://harvester.census.gov/fac>, is an important tool for monitoring subrecipients.





105 Single Audit Database

FAC Information After logging in, information about the Single Audit Database is displayed. Click the **Go To Database** button to continue.

The screenshot shows the 'SINGLE AUDIT DATABASE INFORMATION' page. On the left is a navigation menu with the 'FEDERAL AUDIT CLEARINGHOUSE' logo and links for 'Home', 'About Us', 'Contact Us', and 'Help'. The main content area has a title bar with 'Go To Database' and 'Home' buttons. Below the title bar is a navigation menu with links for 'HOME', 'ABOUT US', 'CONTACT US', 'HELP', 'SINGLE AUDIT DATABASE INFORMATION', 'SINGLE AUDIT DATABASE SEARCH', 'SINGLE AUDIT DATABASE REPORTS', and 'SINGLE AUDIT DATABASE EXPORTS'. The main content area contains the following text:

SINGLE AUDIT DATABASE INFORMATION

DESCRIPTION - SEARCH CAPABILITIES - CONTACT - ACCESS - SIGNUP - FEEDBACK - PRIVACY - OVERVIEW
(Parent: 27/10/2011)

OVERVIEW

The Federal Audit Clearinghouse (FAC) provides a means of information about Single Audit Database Search to program sponsors or subgrantees who have been awarded a grant or contract under the Department of Education's (DOE) public accountancy program. Program sponsors and subgrantees are required to provide information about their Single Audit Database Search capabilities to the FAC. Program sponsors and subgrantees are required to provide information about their Single Audit Database Search capabilities to the FAC. Program sponsors and subgrantees are required to provide information about their Single Audit Database Search capabilities to the FAC.

SEARCH CAPABILITIES

The Single Audit Database Search tool is available to all users who have been granted access to the database. The tool is designed to help program sponsors and subgrantees search for Single Audit Database Search information. The tool is designed to help program sponsors and subgrantees search for Single Audit Database Search information. The tool is designed to help program sponsors and subgrantees search for Single Audit Database Search information.

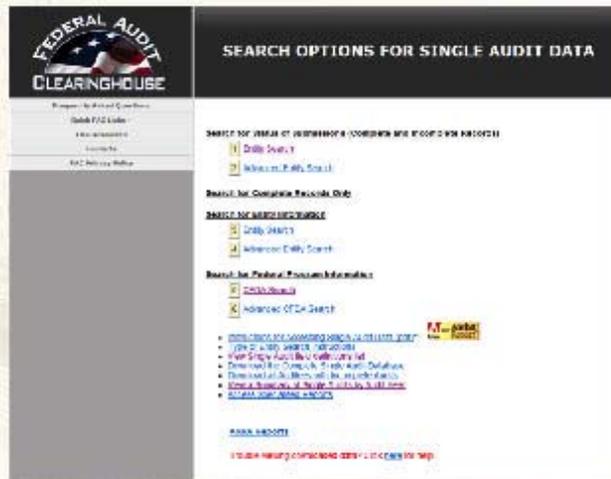
CONTACT

The FAC provides program sponsors and subgrantees with information about the Single Audit Database Search tool. The FAC provides program sponsors and subgrantees with information about the Single Audit Database Search tool. The FAC provides program sponsors and subgrantees with information about the Single Audit Database Search tool.



105 Single Audit Database search

Search options Hover over the image to view the options for searching single audit data in the FAC.





105 Audit submission status

Entity search

The status of an entity's A-133 submission can be viewed or downloaded from the FAC database.



105 OMB Circular A-133 data collection form

Sample form

Data from audits of States, local governments, and nonprofit organizations is collected using this form.

OMB Circular A-133 requires subrecipients to complete this form and submit it using the FAC database.

The image shows a sample of the OMB Circular A-133 data collection form. The form is titled "Data Collection Form for Reporting on ASSETS OF STATES, LOCAL GOVERNMENTS, AND NONPROFIT ORGANIZATIONS For Fiscal Year Ending October 31, 2004, or 2005". It is a multi-sectioned form with various fields for data entry, including sections for "GENERAL INFORMATION", "FUNDING INFORMATION", "ASSETS INFORMATION", and "SUBRECIPIENT INFORMATION". The form is marked with a large "SAMPLE" watermark.



105 Audit opinion

Sample audit opinion

The auditor expresses an opinion on the subrecipient's application of accounting principles using this form.

The image shows a sample of the '105 Audit opinion' form. It is a multi-section document with handwritten entries and a signature. The sections are:

- PART I - FINANCIAL STATEMENTS (This section is to be completed by the auditor):**
 - 1. The following information was obtained from the subrecipient: Financial statements, Internal controls, Other information.
 - 2. The financial statements were prepared in accordance with GAAP. Yes, No.
 - 3. The financial statements were prepared in accordance with the subrecipient's policies and procedures. Yes, No.
 - 4. The financial statements were prepared in accordance with the subrecipient's accounting system. Yes, No.
- PART II - FINANCIAL STATEMENTS (This section is to be completed by the auditor):**
 - 1. The financial statements were prepared in accordance with GAAP. Yes, No.
 - 2. The financial statements were prepared in accordance with the subrecipient's policies and procedures. Yes, No.
 - 3. The financial statements were prepared in accordance with the subrecipient's accounting system. Yes, No.
 - 4. The financial statements were prepared in accordance with the subrecipient's internal controls. Yes, No.
 - 5. The financial statements were prepared in accordance with the subrecipient's accounting system. Yes, No.
 - 6. The financial statements were prepared in accordance with the subrecipient's internal controls. Yes, No.
- PART III - FINANCIAL STATEMENTS (This section is to be completed by the auditor):**
 - 7. The financial statements were prepared in accordance with GAAP. Yes, No.
 - 8. The financial statements were prepared in accordance with the subrecipient's policies and procedures. Yes, No.
 - 9. The financial statements were prepared in accordance with the subrecipient's accounting system. Yes, No.
 - 10. The financial statements were prepared in accordance with the subrecipient's internal controls. Yes, No.
 - 11. The financial statements were prepared in accordance with the subrecipient's accounting system. Yes, No.
 - 12. The financial statements were prepared in accordance with the subrecipient's internal controls. Yes, No.

The form includes a signature line at the bottom with a handwritten signature and a date field.



105 Audit findings

Sample audit findings

Any compliance issues raised in audit findings are reported for each Federal program that a subrecipient receives funds from.

(Page 3 of 6 of 61)

Primary EIN: 84-0844738

PART III FEDERAL PROGRAMS - Continued						10. AUDIT FINDINGS			
9. FEDERAL AWARDS EXTENDED DURING FISCAL YEAR						10. AUDIT FINDINGS			
Federal Agency (a)	CFDA Number (b)	Relevant and description (c)	Name of Federal program (d)	Amount reported (e)	Direct award (f)	Major program (g)	Yes, high audit impact (h)	Type(s) of compliance requirement(s) (i)	Audit finding reference number(s) (j)
9	3	467	WISCONSIN RESEARCH	\$ 67,872.00	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	1 2	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	C	N/A
9	4	248	WISCONSIN NATIONAL CAREER TRAINING	\$ 22,625,648.00	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	1 2	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	C	WISCONSIN NATIONAL CAREER TRAINING
9	40	248	WISCONSIN NATIONAL CAREER TRAINING	\$ 25,448.00	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	1 2	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	C	N/A
9	4	122	WISCONSIN NATIONAL CAREER TRAINING	\$ 110,533.00	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	1 2	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	C	N/A
9	3	217	WISCONSIN NATIONAL CAREER TRAINING	\$ 108,940.00	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	1 2	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	C	N/A
1	7	261	WISCONSIN NATIONAL CAREER TRAINING	\$ 421,481.00	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	1 2	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	C	N/A
1	7	261	WISCONSIN NATIONAL CAREER TRAINING	\$ 6,534.00	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	1 2	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	C	N/A
			WISCONSIN NATIONAL CAREER TRAINING		<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	1 2	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	C	N/A



105 Module summary

Goals

The **Subrecipient Monitoring** module has provided you with information to understand and apply the principles of using risk indicators to assess and develop monitoring plans.

Objectives

Now that you have completed this module, you should be able to:

- Define risk-based subrecipient monitoring
- List the Federal requirements that govern the single-audit process
- Identify significant risk indicators for the subrecipient monitoring process
- Develop a monitoring plan based on risk assessment and available resources



105 Additional resources

Office of Management and Budget

- [OMB Circular No. A-133](#)
- [June 2010 Compliance Supplement](#)
- [March 2009 Compliance Supplement](#)

Advanced Government Accountability

The Partnership for Intergovernmental Management and Accountability is dedicated to identifying and solving the management and accountability issues facing governments today.

- [Risk Assessment Monitoring Tool](#)
- [Financial and Administrative Monitoring Tool](#)

Department of Education

- [Indirect Cost Group](#)

Department of Health and Human Services

- [HHS C-10](#)



105 Additional resources

Higher education, hospitals, and non-profits

Applicable to institutions of higher education, hospitals and non-profits.

- OMB Circular A-133 .400(d)(3), issued under the Single Audit Act of 1984, P.L. 98-502, and the Single Audit Act Amendments of 1996, P.L. 104-156.
- Single Audit Act, 1996 Amendments, 31 U.S.C. §7502(f)(2)(B).
- OMB A-133 Compliance Supplement, Part 3, § M.
- Title 34, Parts 74-99 of the Code of Federal Regulations (CFR), collectively referred to as the Education Department General Administrative Regulations, or EDGAR.

State, local, and Indian tribal governments

Applicable to state, local and Indian tribal governments.

- U.S. Department of Education Grant Bulletin, Assessing Grant Applicant and Grant Recipient Risk Prior to Making New and Continuation Awards, GB #11-01, effective June 1, 2011.



105 Audit resources

General Accounting Office

- [GAO Policy and Procedures Manual Guidance for Federal Agencies](#) (replaces GAO Yellow Book)
- [How to Avoid a Substandard Audit: Suggestions for Procuring an Audit](#) (National Intergovernmental Audit Forum; May 1988)
- [Internal Control Management](#), GAO 01-1008G
- [Standards for Internal Control](#), GAO/AIMD 00-21.3.1
- [Performance & Accountability Challenges and High Risk](#), GAO 01-159SP

Federal Audit Databases

- [Catalog of Federal Domestic Assistance - Federal Award Programs](#)
- [Federal Audit Clearinghouse - Single Audit SF-SAC Data](#)



105 Additional information

Contact list

- To learn more about financial management and reporting, contact Andrew Johnson by e-mail at andrew.johnson@ed.gov or call 202-245-7786.
- For questions concerning indirect costs, e-mail IndirectCostGroup@ed.gov.
- To learn more about Perkins funding strategies or maintenance of effort, contact Len Lintner by e-mail at len.lintner@ed.gov or call 202-245-7741.
- To learn more about the single audit process, contact John Miller by e-mail at john.miller@ed.gov or call 202-245-7713.
- To learn more about subrecipient monitoring, contact Edward Smith by e-mail at edward.smith@ed.gov or call 202-245-7602.