



## Subrecipient Monitoring in a Resource-Constrained Environment

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## Introduction

Navigating the intricate world of grants compliance monitoring is essential for state agencies to promote the proper use of funds and uphold financial integrity. Grants compliance monitoring is a critical function that helps state agencies to mitigate risk and adhere to the terms and conditions of the funding they receive. This role is essential for maintaining the integrity of financial management practices and assessing whether funds are used for the intended purpose and effectively to achieve intended outcomes. Compliance monitors are tasked with navigating a complex landscape of regulations, managing vast amounts of data, and coordinating with hundreds or thousands of stakeholders to promote accountability. In addition, Pass-Through Entities (PTEs) should consider providing technical assistance, which is crucial for their subrecipients to effectively execute their federal awards.

However, the effectiveness of grants compliance monitoring can be hampered by a range of obstacles. PTEs not only need to utilize their own funding compliantly, but also need to allocate additional time and resources to conduct monitoring activities. These challenges not only affect the thoroughness and accuracy of compliance reviews, but also impact the ability of monitors to enforce regulations and prevent misuse of funds. Recognizing these obstacles is the first step toward mitigating their impact and enhancing the overall efficiency and effectiveness of the monitoring process.

Here, we explore some of the common challenges faced by PTEs when overseeing state agencies, providing insights into the complexities of this crucial role.



## Conquering Pass-Through Entity Requirements in a Resource Constrained Environment

As a PTE, you have a critical role in helping subrecipients comply with grant requirements and achieve their intended outcomes per [2 CFR 200.332](#). This role encompasses several responsibilities, each of which should be managed effectively even when resources are constrained. A challenge lies in deciding where to allocate your resources throughout the grant lifecycle—whether to focus on the beginning when subrecipients have not yet begun to spend funding, the middle when the funding is actively being spent, or at the end once the funding has been expended. This will depend on the individual characteristics and requirements of each grant program. The activities you are required to perform in this role include:

- Create a subaward that aligns with specifications
- Evaluate risk and impose specific conditions
- Monitor activities
- Provide technical assistance and enforcement

## **Create a Subaward that Aligns with Specifications**

Your first task is to create a subaward that includes the required elements, such as federal award identifiers, defined terms and conditions, performance metrics, and compliance requirements. This foundational step sets the stage for compliant grant management.

**Your First Step:** Cross reference the 14 required federal award identifiers and required terms and conditions to your subaward agreement draft.

### **Resource Considerations:**

- **Time Investment:** Drafting a subaward to include each of the required components can be time-consuming. To manage this, consider developing standardized templates that may be customized for each grant.
- **Experience:** Create a team with the required knowledge to include the required elements. If internal proficiency is lacking, consider training programs, temporary staff, or external consultants.

### **Relevant Guidance:**

2 CFR 200.332(a, c)

## **Evaluate Risk and Impose Specific Conditions**

Evaluating each subrecipient's risk of non-compliance and imposing specific conditions, as needed, is crucial for proactive grant management. This assessment helps identify potential issues before they become significant problems and can help you determine where to allocate your resources.

**Your First Step:** Create a list of entities to which your organization will be passing through funding and assess the level of risk across fiscal, programmatic, and compliance factors. Risk may increase if entities have new staff members or systems, limited experience with federal grants, a large amount of grant funding received, or previous non-compliance incidents.

### **Resource Considerations:**

- **Risk Assessment Tools:** Utilize automated risk assessment tools to streamline the evaluation process and make it repeatable through the years. These tools can help you effectively identify higher risk subrecipients and can range from spreadsheets to custom-designed cloud-based solutions.
- **Prioritization:** Focus your efforts on higher risk subrecipients. Commonly, higher risk subrecipient receive site visits for monitoring. For lower risk subrecipients, consider lighter monitoring to conserve resources, such as issuance of a compliance survey.

### **Relevant Guidance:**

2 CFR 200.332(b)





## **Monitor Activities**

Monitoring the activities of subrecipients through financial and performance reporting, following up on deficiencies, issuing management decisions on audits, and resolving audit findings are ongoing responsibilities.

**Your First Steps:** Create a plan for monitoring using a combination of on-site visits, virtual visits, desk reviews, and enhanced reporting based on the risk assessment results. Determine each subrecipient's fiscal year and whether they may have required a Single Audit. Obtain these Single Audits for review within 15 months of their fiscal year end date. Keep a list of outstanding observations from visits, reviews, and audits to monitor whether they are resolved in a timely manner.

### **Resource Considerations:**

- **Scheduling:** Effective scheduling is crucial for managing the various tasks involved in subrecipient monitoring. It enables activities, such as training sessions, compliance reviews, and follow-up meetings, to be organized and conducted in a timely manner to maintain oversight and accountability.
- **Sampling Expenditures:** With limited resources, it is critical to focus efforts on expenditures with higher risk. These can be identified by expenditure value, type, and Office of the Inspector General (OIG) observation frequency. Some guidance in

2 CFR 200 is required, while other guidance is only suggested.

- **Planning Monitoring Visits:** Detailed planning of monitoring visits is essential for detailed and effective evaluations of subrecipient activities. This includes coordinating with subrecipients to set visit dates, preparing checklists and documentation for review, and allocating sufficient time to address compliance issues identified during the visit.
- **Reviewing Audit Timelines:** Regularly reviewing audit timelines helps subrecipients adhere to required reporting and compliance deadlines. This process involves tracking milestones, timely submission of audit reports, and addressing discrepancies or delays promptly to maintain compliance and mitigate risks.

### **Relevant Guidance:**

2 CFR 200.332(d, f, g), 2 CFR 200.501

## **Provide Technical Assistance and Enforcement**

Providing technical assistance, performing on-site reviews, and taking enforcement actions against noncompliant subrecipients are essential for maintaining compliance and supporting subrecipients.

**Your First Step:** Utilize the list of outstanding observations from monitoring and audit reviews to share relevant guidance and process steps for updating policies, procedures, or inconsistencies accordingly with subrecipients for improvement.

### **Resource Considerations:**

- **Technical Assistance:** Offer group training sessions, townhall-style webinars, or one-on-one meetings to provide technical assistance effectively. Efficiencies can be created by reaching multiple subrecipients simultaneously.
- **Enforcement Actions:** Develop a tiered approach to enforcement, starting with less

resource-intensive measures like corrective action plans before escalating to more severe actions. Examples of specific conditions to impose can be found in 2 CFR 200.339.

#### Relevant Guidance:

2 CFR 200.332(e, h), 2 CFR 200.339

## Allocating Monitoring Resources Throughout the Grant Life Cycle

The decision on whether to dedicate resources toward the beginning, middle, or end of the grant lifecycle should be made based on the individual characteristics and requirements of each grant program. For instance:

- **Disaster Grants:** Allocate more compliance efforts toward the end of the grant period for immediate response work. The primary goal is to get funding out promptly to respond to the disaster, allowing you to stabilize the situation before focusing on compliance and monitoring. These activities will include reviewing expenditure documentation for eligibility and compliance after the fact. Even though this puts greater risk on the recipient, during an emergency state, response may be considered more important.
- **Recurring Grants:** Spread your monitoring resources throughout the grant period with a focus on higher-risk areas. Update your risk assessments annually based on new information to facilitate ongoing compliance effectively. These activities will likely look like providing technical assistance, periodic touchpoints, and risk-based reviews.
- **New Grants with New Rules:** Invest resources early in the grant period to establish a system that lowers compliance issues later. This is particularly important for grants with complex or unfamiliar requirements that are recurring throughout the life of the grant. These activities may look like technical assistance

training up-front to help subrecipients chart a strong path forward.

By strategically allocating your resources and leveraging technology, collaboration, and external support, you can more effectively manage your responsibilities as a PTE, even in a resource-constrained environment.



## How Deloitte can help

Navigating the complexities of subrecipient monitoring can be daunting, especially for PTEs operating under resource constraints. Deloitte offers an overarching suite of services designed to assist these entities in fulfilling their responsibilities effectively and efficiently. Our experience spans the grant lifecycle, from pre-award to closeout at both the recipient and subrecipient levels, building confidence that you can meet compliance requirements and achieve your grant objectives without overextending your resources.

## Services

Deloitte brings deep experience in grant management and compliance, helping PTEs

understand and implement the requirements of 2 CFR 200. Our services include risk assessment deployment, template and communication creation, and the monitoring protocol development. By leveraging our deep knowledge, you can feel confident in your subaward agreements and monitoring processes.

### **Technology Solutions**

In today's digital age, leveraging technology is important for efficient grant management. Deloitte offers cutting-edge technology solutions that are designed to help automate and streamline various aspects of subrecipient monitoring. Our tools can help you conduct automated risk assessments, generate regular financial and performance reports, utilize automated technology to intake and review documentation, create dashboards to help leadership make important decisions, and track compliance in near real-time. These solutions not only save time, but also enhance accuracy and consistency, allowing your team to focus on higher-value activities. By integrating these technologies into your processes, you can significantly reduce the manual workload and improve overall efficiency.

### **Training and Capacity Building**

Creating a culture of teaching and collaboration is essential for effective subrecipient monitoring. Deloitte creates and facilitates training programs and capacity-building initiatives designed to enhance the skills and knowledge of your team and your subrecipients. Our training sessions cover a wide range of topics, including compliance requirements, procurement, risk management, and leading practices in grant management. By empowering your team and subrecipients with the required knowledge and skills, you can foster a collaborative environment that reduces the need for intensive oversight and promotes long-term compliance.

### **Surge Support**

When internal resources are insufficient, Deloitte can provide the additional capacity and experience needed to help you manage complex or high-risk grants effectively. Our team of knowledgeable practitioners can assist with on-site reviews, subrecipient communications, technical assistance, and enforcement actions, providing your subrecipients support to comply with grant requirements. We also offer customized support tailored to the different circumstances of your organization and your grant programs. Whether you need help with a specific aspect of subrecipient monitoring or support throughout the grant lifecycle, Deloitte is here to assist.

### **Strategic Planning**

The role of the PTE pivotal in managing grant funds effectively and maintaining compliance with federal regulations. The responsibilities of creating compliant subawards, evaluating risks, monitoring activities, and providing technical assistance are complex and resource intensive. Despite the challenges posed by limited resources, strategic planning and resource allocation throughout the grant lifecycle can significantly enhance the effectiveness of compliance monitoring. Leveraging technology, fostering collaboration, and seeking external support when required are important strategies to manage these responsibilities efficiently. By adopting these approaches, PTEs can build confidence in their compliance processes and properly utilize funds to achieve intended outcomes.

## Get in touch

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