

Subrecipient Monitoring

NOTE: Grants Management Advisories (GMAs) provide guidance for ONC grantees in selected areas based on ONC's receipt of recurring questions or other factors. Their purpose is to provide a common interpretation for all ONC grantees of how ONC will apply existing policy as reflected in award terms and conditions. GMAs do not replace or modify award terms and conditions.

ISSUE:

Who is responsible for monitoring subawards (subgrants)?

What requirements address the necessary level and type of subrecipient (subgrantee) monitoring?

DEFINITIONS:

"Recipient" means an organization or individual that receives a grant or cooperative agreement award from ONC and is responsible and accountable for the use of the funds provided and for the performance of the grant-or cooperative agreement-supported project or activity. The recipient is the entire legal entity even if a particular component is designated in the Notice of Grant Award (NGA) (Source: HHS Grants Policy Statement).

"Subgrantee" or "Subrecipient." 45 CFR 92.2 defines the term "subgrantee" to mean the government or other legal entity to which a subgrant is awarded and which is accountable to the grantee for the use of the funds provided. "Subrecipient," as defined in 45 CFR 74.2, means the legal entity to which a subaward is made and which is accountable to the recipient for the use of the funds provided. The terms subgrant/subgrantee and subaward/subrecipient are used interchangeably in practice.

GMAs use the term "recipient" to reflect the relationship between the entity that receives an award from ONC and the terms "subrecipient" and "subaward" when the recipient passes through some of those funds to an entity at the next tier for purposes other than procurement of property or services (see GMA 2010-02, Review of Proposed Subawards and Procurement Contracts under Grants and Cooperative Agreement, for discussion of the difference between subrecipients and vendors).

KEY POINTS:

- "Monitoring" is a process whereby programmatic and business management performance are reviewed after award by collecting and assessing information from a variety of sources, including, as applicable, reports, audits, site visits, and other sources.
- Monitoring occurs at two different tiers—ONC monitors the performance of grant and cooperative recipients and recipients are responsible for monitoring the performance of their subrecipients.
- Monitoring activities can take the form of preventive actions, e.g., up-front assessments of performance history and capabilities, training, and technical assistance; corrective actions, e.g., follow-up on identified issues; and enforcement, e.g. cost disallowances. Therefore, while monitoring generally is considered a post-award set of activities, it includes, and its success is, in large part, determined by activities undertaken before and at the time of the subaward.

- Subrecipient monitoring is a significant responsibility. If a recipient is not doing an adequate job of monitoring its subrecipients, at a minimum, there may be an ONC monitoring finding concerning this weakness or an OMB Circular A-133 (A-133) audit finding. Inadequate subrecipient monitoring also may be reflected in poor performance of the grant or cooperative agreement. In addition, if costs incurred by a subrecipient are determined to be unallowable charges to a grant or cooperative agreement, the recipient—the legal entity named on the NGA issued by ONC—is responsible to ONC. ONC has no legal relationship with subrecipients and, in this example, would disallow costs under the grant or cooperative agreement. The recipient, in turn, would have to take whatever remedies are available to it with respect to its subrecipient for those disallowed costs.
- Some of the key subrecipient time-of-award monitoring activities specifically established in Federal requirements are the following (the source of each requirement, which is incorporated by reference in the NGA, is indicated):
 - Checking the Excluded Parties List System (EPLS) (<https://www.epls.gov>) to ensure that a proposed subrecipient is not suspended, debarred or voluntarily excluded from eligibility to receive the planned subaward (2 CFR 180.300, as implemented by HHS in 2 CFR Part 376).
 - Preparing a complete and accurate subaward agreement that, at a minimum, does the following:
 - Accurately communicates the Federal award number and Catalog of Federal Domestic Assistance (CFDA) number(s) that is the source of the funding and identifies the amount of American (Recovery Act) funds (2 CFR 176.210).
 - Includes all terms and conditions in the ONC award that must be flowed down, including Section 1512 Recovery Act reporting (when delegated to subrecipients) (2 CFR 176.50); other reporting requirements; and matching, program income, prior approval, property accountability, record retention; and single audit requirements under OMB Circular A-133 (45 CFR 74.5; 45 CFR 92.4), including specific requirements related to Recovery Act funding (2 CFR 176.210). Recipients must flow down requirements that would apply to a subrecipient if it were receiving funding directly from ONC. For example, if a State receives funds from ONC, the cost principles applicable to a subaward to a university would be those in 2 CFR Part 220 (Office of Management and Budget [OMB] Circular A-21) rather than those in 2 CFR Part 225 (OMB Circular A-87).

In developing subaward agreements, recipients also must ensure that any requirements they impose on subrecipients are consistent with the terms and conditions of their awards from ONC. Recipients may take advantage of any flexibilities provided in their NGAs from ONC, while still ensuring that they can comply with the terms and conditions of their awards, e.g., if ONC requires that an expenditure or activity receive prior approval, the requirement for prior approval must be included in subaward agreements. Alternatively, a recipient might require prior approval for an activity even if not required by ONC (these instances should be kept to a minimum) or use a different threshold as long as it would allow the recipient to meet its obligations to ONC.

- Some of the key subrecipient post-award monitoring activities specifically established in Federal requirements are the following (the source of each requirement, which is incorporated by reference in the NGA, is indicated):
 - Reviewing subrecipient performance, including receiving and reviewing financial and performance reports ((45 CFR 74.51(a); 45 CFR 92.40(a)).
 - Ensuring that entities that reach the A-133 audit threshold perform the audits and submit them to the recipient (OMB Circular A-133, Section_400 (d)(3)).
 - Resolving audit findings in single audits pertinent to their subawards (OMB Circular A-133, Section_400 (d)(5)).
 - Ensuring that Recovery Act-funded subrecipients maintain active registrations in Central Contractor Registration (CCR). (Note: Effective October 1, 2010, recipients must ensure that applicants for subawards to be awarded on or after that date provide DUNS numbers; however, this requirement already applied to Recovery Act-funded subawards because of the requirement for CCR registration. Also, while there are additional requirements as a result of the government-wide implementation of Federal Funding Accountability and Transparency Act, they are not applicable to Recovery Act funds, which is the source of all current ONC funding, and, therefore, they are not addressed in this GMA.
- Subrecipient post-award monitoring may be performed through a variety of means. These include, but are not limited to, on-site reviews at the subrecipient's site, desk reviews at the recipient's site, including review of A-133 audits, financial, and other reports; and/or limited scope audits (as described under Section 230(b)(2) of A-133 for subrecipients that do not meet the threshold for A-133 audit).
- Recipients may incur reasonable direct costs associated with subrecipient monitoring, e.g., travel costs.
- Contract administration requirements that apply to vendor relationships are addressed in 45 CFR 74.47, 92.36(a), or 92.36(b)(2), as applicable. These responsibilities are not addressed in this GMA.

RECIPIENT RESPONSIBILITIES:

- Ensure that you appropriately distinguish between subrecipient and vendor relationships.
- Ensure that subaward agreements include required identifying information and award terms and conditions, including reporting requirements, that allow you to comply with the terms and conditions of your award from ONC.
- Perform some level of monitoring for each subrecipient at least annually; more often as performance/compliance indicate a need for additional monitoring to ensure that subrecipients comply with the requirements of their subawards.
- Ensure that subrecipients are undergoing A-133 audits, when applicable, and providing you a copy for any needed audit resolution.



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REFERENCES:

45 CFR Part 74

45 CFR Part 92

2 CFR 176.50 and 176.210

OMB Circular A-133, including Sections __ 230(b)(2) and 400(d)

HHS Grants Policy Statement