**WorkforceGPS**

**SMART 3.0 Series: Subrecipient Management and Oversight**

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GRACE MCCALL: And welcome to "Subrecipient Management and Oversight SMART 3.0 training."

So without further ado, I'd like to turn things over to our speaker today, Tom DiLisio, senior accountant, DFMAS, United States Department of Labor region six, San Francisco, California, and Debbie Strama, fiscal policy unit supervisor, United States Department of Labor, Office of Grants Management, Washington D.C. Take it away, Tom and Debbie.

DEBBIE STRAMA: All right. Thank you everyone. Thank you and good afternoon, everyone. My name is Debbie Strama and this is a continuation of our SMART 3.0 series that we started earlier last week. I would like to repeat that 3.0, so this training will go over the strategies for our grant management, including monitoring, accountability, risk mitigation and transparency.

These few things are weaved throughout the open guidance up to CLF 200, from DOL's exceptions up to CFL 2100. We're going to itemize. We want to do real applications – (inaudible) – for 15 minutes and then we will ask. I'm not sure. I apologize. I'm not sure if there's some of the feedback that's coming in there. You're saying the audio quality is kind of bad. Can you hear me?

MS. MCCALL: You sound a bit better now. Just make sure to speak clear and maybe, like if you're on speaker, maybe it might be better to have it hand-held to your ear. You do sound a bit better now.

MS. STRAMA: OK. All right. I'll start over again. Welcome everyone. This is a continuation of our SMART 3.0 training series. We began these training modules earlier last week. We began with the ETA grant management overview and then last Thursday we did the uniform guidance class (roles ?) and class classification. This is a continuation of a training that we have provided in person over the last few years when the uniform guidance was published.

And so what does SMART training stand for? SMART is for strategy for sound grant management, including monitoring, accountability, risk mitigation and transparency and these four things can be found in the uniform guidance.

OK. So moving on, you will see on the screen is the grant management toolbox. And so there are a variety of different tools that we have made available to you on our WorkforceGPS.org website. So hopefully you are all registered as a user of the WorkforceGPS website and if you go to the community page called Grants Applications and Management, this is where you will find all of the resources and this is where you'll also find the archived webinars related to the SMART 3.0 series.

And so included in the toolbox for effective grant management, not only will you have the uniform guidance at 2 CFR 200 and DOL's exceptions at 2 CRF 2100, you will have the technical assistance guide, the core monitor guide, which is the compliance tool that several project officers use when they conduct an onsite monitoring visit of your grant. And then for discretionary grants, we have a grantee handbook.

OK. So what will we be talking about in the next hour or so? So we'll talk about, you know, the applicability. Who is responsible for providing oversight over their grant and if you are a grant recipient, should you then pass down monies to agencies? What are your responsibilities in awarding those dollars to those entities?

We'll talk a little bit about what should be done for your organizations, what should be done once you've executed that contract or agreement and then what are the different ways or means in which you can provide oversight and monitoring of those subrecipients. And then lastly, we'll talk about the resolution process. So if you're out conducting a site visit or if you're performing some kind of oversight, you want to formalize that arrangement or that activity by issuing some kind of report that would then identify finding areas of concern or best practices.

So applicability. So here in this one slide we're identifying all of the different provisions or requirements that a grant recipient and their subrecipients must follow if they're using monies related to a federal grant award.

And so before the uniform guidance was actually published, we had separate circulars out there that identified the requirements for cost principles and then there was a set of, separate of requirements for administrative requirements and audits. With the uniform guidance at 2 CRF 200, all governmental agencies, Indian tribes, non-profits, institutions for higher education and commercial for-profit organizations, informed entities must follow 2 CFR 200 and 2 CFR 2100.

Now some of you may ask, well when I printed it out, you know, from guidance and I go to the section on applicability, there is no mention of this applying to commercial for-profit organizations or foreign entities. If you were at the bottom of this chart and you see 2 CFR 2900.2, the Department of Labor has expanded the definition of non-federal entities to include for-profit organizations and foreign entities, so yes.

If you work with an agency that is considered a subrecipient and they are commercial for-profit organizations, you must make sure that in your agreement with them, whether it’s a subaward agreement or a subcontract, that they are held responsible to meeting the requirements contained in the uniform guidance and the DOL's exceptions at 2 CFR 2900. So please direct them to this one citation that's in the codified rules for the Department of Labor.

So pass-through entity. The pass-through entity is defined in the uniform guidance and it's in three – I think it's self-explanatory. It's a non-federal entity that passes down subaward monies to subrecipients.

So we'll talk a little bit more about what is the different between a recipient and contractor, but for the purposes of administering the grant, if you're considered a subrecipient – (inaudible) – recipient will. Other definitions contained in the uniform guidance is the subaward, and so this is just a, you know, the vehicle in which the grant recipient is putting the monies into an agreement between the pass-through entity or the grant recipient and the subrecipient.

So the uniform guidance explains in section 2 CFR 200.330 the difference between a subrecipient and a contractor. And so a subrecipient is an entity that is responsible for some part of the program and is there to help achieve a program goal or a program objective.

It's responsible for making programmatic decisions and it's funded through a subaward. So if it's an entity that is, you know, helping you enroll participants into the program or if it's acting as a case management and making decisions on the level of services that is going to be approved for that individual, this entity may in fact be a subrecipient.

And so contractors would not have to follow the uniform guidance. And so these are contractors, what we normally consider are entities or companies that provide off the shelf products or services. So a common one is, you know, if you're looking to buy computer equipment and if you're looking to buy laptops. And so if you go to Dell or Apple to buy or make those purchases, they would be considered a contractor because that product is available to anybody, regardless of whether or not you in fact are using federal funds to make that purchase.

And so it's one of those things that if there's any confusion as to whether or not this organization is considered a subrecipient or a contractor, it's the substance of that agreement. What are they doing for you in exchange for the monies that they're receiving? So if they're helping to achieve some program goals or if they're making programmatic decisions or if they're responsible for meeting some other terms and conditions related to that federal award, in all likelihood they would be considered a subrecipient and thus would have to follow the same rules and requirements that you would follow as the grant recipient.

So moving on, as a grant recipient who has decided to award monies to a local partner or to a community organization that has a shown history or a successful history in serving the population in which that project or that grant was awarded, there's certain things that you must consider before giving those dollars to that entity.

So one is making sure that you do some kind of risk assessment, making sure that they're financially stable, that there are not any red flags related to their operations, whether it’s the financial operations or their organization as a whole that would jeopardize or risk the misuse of federal dollars.

As a grant recipient who is then also, you know, giving out the monies to another organization, you also must perform monitoring and oversight and along with that you would have to then of course issue management decisions. And so these are, you know, like a report that contains findings in areas of concern.

Compliance with grant terms and conditions. So if you have your grant agreement in front of you or if you're talking with the director of your organization and if you are also involved in the negotiation and contracting between your organization and entity, you want to make sure that those terms and conditions that are part of your grant agreement are also included in any agreement that you have with that subrecipient.

And additionally, when you're entering into a formal agreement with these organizations, you want to make sure that they're held accountable for achieving some kind of performance so that you don't, so that the risk is not all with you so that if they're spending monies, that there's some monitoring of their progress in achieving performance.

And then lastly is making sure that there's a proper closeout of that contract or that agreement. Oftentimes we get calls at from the department or at the Department of Labor, you know, from a community college just telling us that they worked closely with, you know, a local area in their community and they forgot to send, you know a bill for $10,000 and, you know, the bill is about four or five years old and this local area or this grant recipient doesn't want to pay it and they're hoping that the Department of Labor would pay for it.

Well, one of these things that we have to make sure happens is that there's timely closeout, that these subrecipients are aware that there is an expiration on the grant dollars that are awarded to your agency. So you have to make sure that any payments being made are being done within the period of performance specified in your grant agreement.

Accountability. So as a grant recipient who decides to pass down some of the monies to a local partner or community organization, it is imperative that you monitor their progress because if they fail, you fail. And so what we are trying to say here is that we would hold you, the grant recipient, responsible for the actions and any disallowance that may occur at the subrecipient level.

So risk assessment is considering a variety of different factors and determining whether or not, you know, funds might be in jeopardy of misuse or loss. And so what are some of those things that you want to consider? Of course, you want to look at whether or not they've had a past audit completed. If they're a small organization, they may not in fact have had a single audit completed, so do they have certified financial statements?

Have they had experience with working with other federal projects or federal agencies? Do they have an accounting system that allow them to track the monies from receipt to disbursement? And then also considering, you know, organizational structure. If they've been, you know, if there's been a lot of staff turnover with leadership or management or if there's been a lot of turnover in their fiscal department, that may raise a red flag. And so this is where before you're entering into that contract with that subrecipient, you need to ask those questions.

So some other things that you may want to consider is, you know, whether or not they've had a past history in, you know, reporting in a timely manner or if they've been reporting, you know, have they been submitting reports that have been accurate? And then, you know, when you look at audit reports, is there, you know, any indication of whether or not they've had any material weaknesses or significant deficiencies and where are they at in resolving those significant deficiencies or material weaknesses?

One other thing to consider and to ask before you enter into that agreement is do they have a mechanism in place to manage and control the budget? Oftentimes we go out and do site visits and we discover that there are no controls in place at the ground level. And so you know, if they, if this particular small entity receives a three-year grant, they may have exhausted all of their monies in their admin cost budget but they have 24 more months of operation, so the what happens there? How are they to support that program without those admin dollars? So making sure that there are controls in place to address that.

Making sure also that they have an adequate internal control structure in place. You want to make sure that there are a proper segregation of duties between responsibilities and tasks. You don't want to have one single person responsible for the authorization, the receipts, the payments and reconciliation of one single transaction. There needs to be some checks and balances in place.

Some other things to consider is, you know financial stability. It's okay to ask them, you know, is there any pending litigation or pending lawsuits or bankruptcy proceedings happening at that organization. And if there are, you know, what are the controls? What are the factors that need to be or that conditions that need to be installed to make sure that if you decide, you know, that even with these risks that you would still like to work with them, what controls or conditions can you place onto this organization or install in their agreement to ensure that federal dollars are not at jeopardy of being lost or misused?

So one of the things that we had currently out there on our website is this core monitoring guide. And as I indicated earlier, this is the vehicle or this is the tool that federal projects officers use when they conduct a compliance site visit of your grants? And sometimes when they conduct that site visit, they may actually look at subrecipient agreements, look at the performance and financial records of your subrecipients.

And so one of the tools that we have currently available in the core monitoring guide is a risk assessment worksheet. And so it talks and it weights and it allows you to score an agency based on a variety of risk factors. And so this worksheet has I think 30 different risk factors that you can use to determine whether or not you would consider an entity being a high-risk entity or a low-risk entity.

OK. So if you discover that, you know, there are some red flags, does that mean you're not to work with them? No. You can move forward and work and, you know, enter into an agreement with them. But if they are considered high-risk, there needs to be some special conditions or additional conditions placed on that agreement so that there is more monitoring being performed of that organization.

And so some additional conditions that can be placed on this agreement can be, you know, requiring additional documentation when they submit a reimbursement or requiring more frequent financial reporting or conducting more monitoring or oversight of their records. So these are some things that you can consider if you want to enter into an arrangement with an entity that may be considered high-risk.

That does not mean, though, that if an entity is discovered to be on the system of reward management, so that is the same .gov system, and that agency or that person has been deemed debarred, suspended or excluded from doing federal government business. It is clear in the uniform guidance that you cannot award any monies to those agencies.

So now, the management of subrecipients. So what are some of those things that you need to do once you execute a contract or an agreement with this organization? Some of the things that you want to be mindful of and ensure that they are in compliance with is making sure that, you know, they have the systems in place to submit the required financial and performance reports.

So as you know, as a grant recipient, you have to file quarterly financial reports and periodic progress reports or performance reports. So in order to give us the most accurate picture, you want to also tabulate and collect that information from your subrecipients. And so how do you do that? And this, you know, specifying that as a condition of their agreement, it needs to be outlined in their agreement along with the timelines or deadlines in which they must submit that information.

Access to records. If you give them monies, it should be made clear to the subrecipients that you should be able to go into their office and look at those records and the same would be true for any, you know, federal project officer who is conducting a compliance visit to that particular project.

They should be able to look at the first documentation related to the expenditure of that particular cost. If it's discovered, you know, through your monitoring and oversight that they have been found out of compliance for one reason or another, you want to make sure that you've addressed that formally, you know, through a letter or through an e-mail so that it's been documented and then also expect that there is a corrective action plan in place so that they move towards resolution.

Some other things that the uniform guidance requires is when you do provide or execute subawards to subrecipients, that you have a system in place that you are able to track all of these pieces of information that are outlined on this slide. So you want to, at any given time, you should know, you know, when you executed the award, what is the (dollars ?) number tied to that award? How much money has been obligated? How much money has been expended? And indirect cost rate and things like that.

On management and services, recipients also include technical assistance if there has been a changeover in staff and you know that they are slow in getting things up and running, how do you make sure that they get back on track? And one of those ways is providing technical assistance, and so this is where you may also have to reach out to your federal project officer to, you know, ask for assistance in getting them back on track.

Also, with monitoring of these sorts, you want to make sure that they are held accountable to specific performance goals. Just to say that they are being served in all of the out of school youth in, you know, three counties is not sufficient. You want to make sure that the deliverables are quantifiable.

OK. Now we have our first knowledge check. So Grace, can you put that up? So a pass-through entity is accountable and potentially liable for all of the actions of its subrecipients. And glad to see that most of the people on the phone are listening and they've responded to the correct answer. True. OK.

Is there another question coming in or can you do another polling question? OK. So an effective oversight system includes the following: oversight policies and procedures, tools and guides, adequate staffing including knowledgeable monitors and budgetary resources for travel and training, access to information or all of the above. All right. I'm glad to hear that everyone is listening.

And yes, an effective oversight management includes a variety of different things, so you should have policies and procedures in place. You know, oversight can be conducted over the phone or in person, so depending on the program or project you're running you in fact may have to do both. You know, providing oversight rurally or electronically but you may also have to go out onsite. So you would have to turn to your grant agreement and your, the program statues and regulations that are applicable to that project or that initiative.

OK. So moving on, we'll go to the next slide. OK. Monitoring and oversight. So I'll be turning it over to Tom in just a minute, a bit, but this next section we are going to be talking about the different ways in which you can monitor in oversight. Does monitoring always mean an onsite visit? Does it always require you to travel, you know, a great distance to the other county and spend two weeks at their office? Sometimes that may have to happen.

Other times that may not be necessary. So we'll talk about the basic requirements, the process for monitoring and the different ways you can monitor and then what happens once you've conducted monitoring and you discover that they've been or that there's an area or weakness or something that needs to, you know, you need to capture their attention and put it in writing that it's an area of concern.

So some of the, you know, the basic responsibility as the pass-through entity is to make sure that any agency that has been given federal grant funds, that they are using those federal grant funds for authorized – (inaudible) – and that it's in compliance with all future regulations and terms and conditions of the subaward. And lastly but most importantly is that performance goals are achieved.

So when you receive that grant agreement or if it's in the state plan or the local plan, that there are certain levels of deliverables that need to be met and those deliverables could be, you know, the number of people that have completed training, the number of people that have been placed, the number of people that have been placed in employment for longer than 90 days or 180 days. And so those are things that you want to make sure that you're keeping track on and watching your progress in meeting those goals.

In this particular slide, we are identifying the actual requirements if you receive a Title I Workforce Innovation and Opportunity Act or WIOA grant. And so with this program, it requires annual on-site monitoring by the states of its local areas. And so the provision or that requirement is specified in the administrative provisions under the WIOA final rule at 20 CFR 683.400.

OK. So before we turn it over to Tom, I'm going to briefly talk about the importance of performance monitoring. So when uniform guidance or when OMB decided to merge all of these circulars together and place them under one single roof, they realized that there is a connection between, you know, effective grant management and funding with performance management.

And so we want to make sure that not only are you counting the pennies of the dollars that are being spent, but that it translates to good performance. And so you want to make sure that you're tracking again plans versus actual performance measures related to that subrecipient and also making sure that that translates or that equates to you meeting those performance measures that were negotiated between you and the grant officer.

OK. So now I will turn it over to Tom and he will go into greater depth on the different ways in which you can conduct monitoring and what needs to be done when you discover that they are out of compliance. Tom?

TOM DILISIO: Thank you, Debbie. Good afternoon, everybody. As Debbie mentioned, I'm going to go into a little bit more of a deeper dive into how we conduct our monitoring oversight and the requirements as you being a pass-through entity and awarding funds to other entities. So before you know your subawards are issued, you want to be sure you establish an effective oversight and monitoring system. That’s a requirement and I'm going to talk about the components of how you establish that effective system.

It doesn't matter what size you are, a state if you're at the state level or if you're a local area or you're a large or small provider, as you're dancing through dollars you have to have this system in place of built upon a risk assessment of how you're going to monitor and what type of oversight you're going to conduct. So I'm going to talk about the three essential pieces of monitoring and oversight. I'm going to talk about policies and procedures you need to have in place, the tools and guides we use in monitoring and some of the other resources and methods we use when we're doing oversight.

So let's talk about who does, what are the methods? You know, we talked about the risk assessment that we do upfront. We do desk reviews and we do onsite monitoring. We also have some other procedures we do and activities as we get reports in every quarter, we review things and so forth. But we're going to talk about who does the monitoring, how we do it, where we do it, when we do it and so forth and you have to lay that out in a plan for each of your subawards.

It's built to have a risk assessment. The things you know in your risk assessment if a subaward is a little bit more riskier than other subawards. You'd have maybe a more detailed monitoring and oversight system in place to follow up, keep things tighter in the review, keep things on a quicker format so that you monitor that entity as it receives its funds and so forth. Also, how often you're going to monitor.

Look at the tools you're going to use and also then when you get the results of the monitoring and oversight, are you going to write a report? What format are you going to use and how are you going to resolve findings or issues or things you know during your review? And then what are the remedies that you have to resolve those findings? Do you have, you know, will it be sanctions? Is there a process to appeal if you write a finding and your subaward wants to dispute that? What's that process to go through and resolve those issues? We'll talk about those.

Fist, we'll talk about, Debbie talked a lot about the risk assessment tool. A lot of that is built for monitoring the bulk of your risk assessment, what needs to be done at each of these different types of awards you have.

Also, we have desk monitoring guides. Do you have those? Debbie talked a lot about the core monitoring guide that DOL issued and that's a great guide to build upon and use for your local monitoring guides. It's very in-depth, chapter by chapter and so forth. So you should look at your guides and see if you need any updates here.

There's also customized onsite monitoring guides and that might be for a special-type program or a special-type grant. For example, we have other inserts for when we do a national emergency grant review or when we do a disaster review or for looking at the unemployment insurance program, we may have add-on guides that have a little bit deeper dive into this generic monitoring review that talk about specific things related to that specific grant.

So some of those, you guys need to also reflect that if you're getting unique grants like YouthBuild or ex-offender grants, you may have different components that you build into your guides just for those types of grants. Otherwise, you know, we usually have a uniform guide for most of our common type reviews and so work on our common monitoring.

Next thing I'm going to talk about is staff and resources. You know, the knowledge of your staff. Have they been trained in rules and regulations? Have you read the award terms and conditions? You know, we put together the SMART training to really provide a lot of training and support, training in the rules and regulations of the uniform guidance, the Workforce Investment Opportunity Act and so forth. You want to really be sure that there's a lot of knowledge out there of the changes that have been happening with the uniform guidance and so forth that you carry that forth and you're monitoring.

Also, you know, how you rate your findings and corrective action? What's your resolution process? Your report writing skills, are your staff well trained and how do they write reports? I know writing and drafting findings is very difficult sometimes for fiscal folks. It's sort of not our expertise or anything but it's really important that you work on being able to express specifically what needed to be fixed with a grantee or what you should try to communicate when you do your monitoring.

Roles and responsibilities, you know, who's in charge of monitoring, how do those monitoring questions move up the chain. And when they get issued, are your monitoring tools up to date? Now is a good time to look at that since uniform guidance has been out for a few years. I've been reading reviews recently where a lot of the guys are still talking about JTPA and WIA and have not been updated.

So it's important to have updated tools for your staff that they can rely on. It's also critical that they know what resources if they have questions, where they can go for resources. As Debbie mentioned, we have our toolbox that has several components of resources that staff can use and refer to.

And then also, make sure that staff have access to documentation, that they're able to get the documents and look at the system that they need to do to conduct effective monitoring and look at all the things they need to look at to validate that their grantee is performing as expected.

We also have different types of methods. You know, we look at desk monitoring. That's one method we use and that's usually we're looking at reports and we're doing analysis as reports come in. We get quarterly reports or you may get monthly reports of cash being drawn down by your subawards, what type of performance they're reporting, how they classify their expenditures and that, you know, you do that. That's a form of monitoring is you're checking that. Is it accurate? Do they submit it timely? Are there issues with it that could potentially lead to other issues?

Also then, we also do onsite monitoring and we don't think that's required in every case. But depending on the type of subaward and the risk analysis may require onsite monitoring, to go out and visit that subaward, be sure that there's documents and systems in place and they are able to manage those federal funds.

Desk monitoring, you know, it's very cost-effective. We do it regularly. We receive reports. Instead of being able, depending on where your subaward is and what their location of records are, it's very cost-effective to do desk monitoring. It may lead onsite monitoring if you see issues and so forth as a result of getting reports and so forth.

You collect information from subrecipients through a variety of means and it's an ongoing way of monitoring probably every month. We try to do it because it is very cost-effective. We know we can't be out in every location onsite everywhere because of the cost and travel, but it is a way to determine how well to see if there's any issues popping up through subawards submitting their rewards (to you ?).

Do they submit their reports timely to you? Are their communication, there could be issues. Is it accurate? Are there always changes to the report? We know that in the 9130s quarterly, we see some that are not properly filled out that come back to the grantee, but it is an indication that could be potentially problems and this may lead to an onsite visit and so forth depending on how often that occurs. Is it a one-time issue or is it really, you know, ongoing?

And also, you find a way to document that. You know, you have to have a system of documentation on each of these transactions you're looking at. When you're looking at things and you notice, you should make a note of it so that when you do an onsite monitoring, you review all that before you go onsite.

Reports. You know, it's very important for a grantee to get feedback timely. So we want to be sure when we do initial records about issues that it's accurate what we're saying, that it's very specific and that it's timely. And it doesn't serve anybody's purpose to get a report that's very late based on an issue that may have arisen as a result of desk reviews or an onsite review, so you want to try to be very timely in your initial reports back to grantees. We try to be very timely. We have a set deadline to get our reports out to our grantees. Sometimes it's a scramble for us because we may be dealing with a lot of issues, but we try to get our reports out within 45 days to a grantee and allow them time to respond.

There's also a way to assess how well a grantee is doing in achieving their goals and putting out not only issues we've seen, but also promising practices or things you're doing well. If you're doing well in performance, we note that. But you know, it's really our way to communicate at a point in time an assessment of a grantee, how well it's doing.

Also, we try to coordinate when best we can at the federal level and we would suggest you do the same is to coordinate the fiscal and program reviews together. We try to go out as a team and do everything at one time looking at both the performance in general of the grantee and determine how well their meeting those objectives as well as the fiscal part to see those other connections.

A lot of times when we see fiscal issues, it's an indication that performance is not doing well and vice versa. We see lacking performance, usually there's issues on the fiscal side where they haven't hired staff timely. There's confusion. Maybe they've given out several awards and they cancelled them and found other providers and so forth.

But we try to work together because both will indicate issues with each side of that with fiscal and performance and it's a way to really do a comprehensive test and review of that entity and get a complete picture of how well the grantees perform and are they meeting their objectives?

Onsite monitoring. As Debbie mentioned, this is in the uniform guidance 200.331 that you monitor subawards. We make sure that we use funds that are used for authorized purposes. Are they complying with the federal laws and regulations as noted in the terms and conditions of their award? So it's very important you read the terms and conditions of award because there are nuances in those terms and conditions that sometimes are in addition to the uniform guidance.

Some grants have specific cost, administrative costs that are different. Some don't have cost limitations. Some have other exemptions and that's noted only in the terms and conditions, so it's important that you look at all those beforehand when you're doing your onsite monitoring. Be aware of, you know, a solicitation award that talks about what the grant was supposed to achieve as well as in the terms and conditions of the grant award.

So a lot of times, people say we're doing an audit. They ask us are you an auditor or monitor? We are not auditors. Auditors are, it's a different formal process. Our monitoring occurs usually at the end of a fiscal period. It takes place often throughout the grant and maybe at the end of a grant and, you know, we still report it.

An audit is very current and immediate. It's usually, I think these are reversed on the slide. There's a mistake here just to point out. An audit usually occurs at the end of a fiscal period, takes place after the grant, usually nine months after the grant where monitoring, we try to do it currently and immediately and it's performed by the pass-through entity staff. Pass-through entity staff do not do audits.

It's preventative. We try to correct things before the end of the period of performance. If we know something wrong, we want to try to fix that as soon as we can, but the grantee knows that we can get them back on track. We're not acting afterwards and you can't really go back and fix things because the period of performance has ended or the year has passed and those expenditures are already incurred. You can't really change that, so we are not auditors. We're monitors who try to keep the grantee on track for meeting their performance.

What do we do when we prep for our reviews? You know, there's a lot of things. We get all the grants' documents, we look at the scope of work. We try to do this in advance sometimes. Also, we come out at the federal level to grantees. We ask for things in advance so we can review. We want to see organization charts. We want to see your policies and procedures. We want to see any reports that have been issued.

We gather your expenditure reports that we have and we may ask for specific detail around some of those reports to say how did you file this June 30th report? We want to see the backup supporting documentation for that. We also ask for maybe general ledger details so we can select samples. We look at your audit reports if they're applicable, your single audits to see if there were any findings. Monitoring, there's monitoring because we also go out and look to see have you corrected your prior findings from either a prior report or a monitoring done?

So we gather all that information and really have that in advance of going out because part of the risk assessment done was built upon that. When we first awarded the grant, we did a risk assessment. Now we're going to do onsite monitoring. We gather all these materials and start seeing how well the grant's been performing and, you know, does is match what we said in the risk assessment and then what type of specific monitoring we need to do when we show up onsite.

We want a specific of what are we going to review? What systems are we going to review? You know, you're usually limited in time when you're onsite so you have to be selective of what areas you're going to look at, what poses the most risk, you know, depending on do they source out a lot of their funds to their subrecipients so does that require you to go to other locations and see other providers of these resources, you know, that are spending the dollars? Or are they at the grantee that should have awarded the funds?

You interview staff at both subrecipient level and talk to them about how they do things. Do they have separation of duties? Do you look at do they have internal controls in place? We really stress, the inferred guidance and WIOA regulations really stress internal controls. A lot of that is we interview staff to really be sure there's separation of duties and controls in place that prevent potential misuse of funds.

We sample transactions. We don't try to sample a lot, but we sample some transactions that may occur throughout the period of performance just to get a look at background documents and see that they're properly supported. Were they properly charged so they were in the grant? Were they properly allocated?

A lot of costs may be allocated across multiple funding streams so we look at how that is done. Is there a cost allocation plan? Do you have an indirect cost rate? Can we test those? We test the internal controls. We look for example are things properly approved? Are they approved by the proper person?

Who handles cash? Are bank reconciliations done by someone else? Are they timely? Are they completed accurately? And we gather that information and that's when we make that, draw our conclusions and see if we have issues or how we can help improve performance of a grantee and help them fix things if we know there's issues.

When we do note issues, you know we call that a finding and usually a finding is a specific violation of either an authorized statue, a regulation statute, something applicable in the appropriation act. You have to tie it to a specific citation. Is it implementing like an executive order? It could be, usually a lot of our findings are tied right to the uniform guidance. We cite the specific issue or it's a DOL directive that's a TEGL or a Training Employment Guidance Letter and we say exactly what the issue is and what the citation calls for.

It requires corrective action. That's the key. We usually explain what the specific issue is, as specific as possible, what the citation is a violation of, what the reasoning is, what the cause, what's causing that. We try to explain that as best we can and what the corrective action is going to be. And then for the grantee, we'll have a time, a set time to set that finding.

Some findings we may have questioning costs, just depending on what the finding is related to. It could be costs that are not allowable based on cost principles. It could be they were improperly allocated, so we question those and we try to explain that and try to identify specifically how much a questioned cost might be and how, to be specific, to tie it to what the violation is. Usually we cite that. It has to be cited to a regulation or a citation also.

There's also in the DOL exceptions. It talks about a questioned cost and a cost can be questioned by either an auditor, federal project officer, the grant officer or any other authorized DOL representative. That's a big change from our prior ways and then the circulars in, you know, who had the authority to write a questioned cost. So it's very specific of anybody awarding these funds, anybody from that federal entity as well as auditors, grant officers. They have the authority to question the cost in an issue if they find something during a review.

But then, and then we also have observations in areas that concern. So either those things we note that try to make it, we may find that they're not a violation of any law or regulation, but just really improvements can be made. Things that can be done a little better or we're not sure about could be tightened up with maybe some procedures around, but it's really just information that's providing information to the grantee of things where they could improve in certain areas.

They're not negligent in that. There are also sometimes when we have their positives. It's just a suggestion to look at to explore more and maybe to make some changes, but they're not considered a violation and we don't expect a response back on those.

And also, then we have some ways in here if we find, I know it's not on the slide but if we see positive practices, we try to note them if they're very unique or if there's a system that the grantees establish that is really effective in serving a unique targeted population. We try to note that so that other grantees or other grants in that similar will be a chance to use that and probably try that positive practice and see if it works for them too.

Writing a report. This is always, at the end we try to communicate our results, you know. Very quickly, we try to be timely. We want to be very specific and always stay open and clear. We try to be consistent. We don't want to write that finding several different ways. We try to be consistent in how we write it.

We have to be correct. We want to be sure that after looking at the documentation, asking all the question and sometimes it requires getting more documentation before we write that finding to be sure that we are correct and we are convincing in how we apply the regulations to what we saw in our review. We communicate.

We usually use, when we write a report we usually use the four C's for these times. We say condition. What is the issue? Describe the problem in one sentence. What's the criteria? Specify the regulation or policy that it's a violation of. What's the cause? We try to explain why the problem exists. What's the cause of that problem? What's occurring at the grantee level and why this is an issue? And then what's a corrective action? What is the proposed, very specifically, what the grantee needs to do to resolve this finding and fix it? So we look to that.

And also, we refer to this core guide. There's a section on writing reports, where there's a little more background there for you. But we want to be very specific so the grantee, it's very clear that they know what they need to correct.

In addition, as I said already it's in one sentence. You know, there's no physical inventory or capital asks taken in the last three years. Our focus is always try to describe it in one sentence. If not, you've got to keep thinking what is the issue? Try to put it into one sentence as a condition.

Criteria is usually citing what the issue is. Is it the uniform guidance citation? Is it in the terms and condition? Is it in a TEGL? And we quote that.

Cause we explained. We try to explain to the best of our ability what, and this requires probably asking a lot of questions and really flushing out what the finding is by talking to a lot of folks and looking at a variety of documentation. Is it really explained what's causing this? What's the mistake? Why is it happening? Why is there a lack of documentation? Where is it getting lost?

Where is the misconnections and so forth? And we try to be as specific as possible to explain that to the grantee and what's causing this problem, especially in upper management. It may be the upper management is familiar with all the detail of how things happen in accounting system, but to really be clear to the reader of what's causing that problem.

And then also corrective action, specifically what that grabs to. We want to be very specific of what the grantee has to do to fix the problem in order so they know what to do to resolve the problem so we can close that timing out and work with them to close that timing out because they'll get about 30 days to respond to our reports.

They usually do. We have a timeframe to respond to our reports with what they've done and if they agree with our finding and what action they've taken, and we go back and forth at that point to work with them to resolve that finding. We may ask for more documentation, question costing they work with is how resolve that.

Resolution process, that takes us into resolution. So we're going to talk about the process. We're going to talk about the timing management decision and remedies for fixing monitoring and audit findings.

Corrective action. You know, what they have to do. We give a timeframe for what needs to be fixed and what specifically we need to correct that. Work for questioned costs, we usually ask for, you know, can you provide documentation if it's a cost that wasn't properly documented. Or you're going to make payment if it's an outright not allowable cost that's very specific. We'd ask for repayment or can you move it to fund it with your non-federal resources and remove it from our grant and replace non-federal resources to pay for that cost.

We track our findings to complete. We want to make sure all findings are resolved. We have a metric that we try to resolve 70 percent of our findings within a year. We recommend, grantees, that you have a timeframe also to resolve findings of your subrecipients and you be sure you close out all your findings. Otherwise, that could impact future awards.

Managerial decisions it's really, we rely on the management, what they tell us, what we expect them to do. But it's really the management takes responsibility for the reports, the findings that they clearly state how they're going to correct these. And that's specific to the uniform guidance to 200.521. What action they've taken, how they're going to go about repaying the costs and so forth, but they're responsible for the fund award.

You know, they have to ensure corrective action is taken, allow, disallow costs, you can establish debt if you have awards that are problematic and disallow costs. You provide appeal rights. What happens when you have a challenge from one of your subawards? You have to have a process to get through that appeal before it moves up to the next level and when does that end?

You have to have a process to resolve findings, resolve bad costs and how that's going to happen. There's no prescribed resolution in the uniform guidance, but also we look to the DOL has a process in the WIOA regulation that you may look at and we also talk about that in our core guide, how you go about the steps in resolving findings. With audits, you have 12 months to resolve your audit findings.

What happens, you know, our process? What do we do if corrective action isn't taken? We issue, our process calls for we issue initial determination, which says this is still an issue. It's still a finding and it's potentially a questioned cost. Please respond and you have an amount of time, a specific timeframe to respond.

We work through a formal resolution at that point. If we still can't get it resolved, we issue a final determination by the grant office, saying this is a finding or this is definitely going to be a question. It's no longer a questioned cost. It becomes a disallowed cost at that point by the grant officer. We establish a debt and then we work with how we're going to deal with that debt. It's a liability to the pass-through entity or the subaward, depending on whether bad cost exists and how we're going to have restitution and, you know, what sanctions are going to apply.

There's always the opportunities for appeal and hearings and we have a formal process for that. Usually, when you're going through that you'll see that's a very formal process. We try to resolve things beforehand before we get to a formal process but for example in WIOA, it's very specific.

The governor has the authority and the responsibility to resolve findings from monetary reviews that were done and investigations. We hold the state accountable. We also hold their direct grant recipients accountable for any audit findings and debt collections and so forth. So if there's no procedures in place, then we follow ours. We will use our process to resolve those costs. That's very important you have a process in place.

And then we're going to talk about what do we do when we have non-compliance? What other remedies do we have? We can withhold, if we have issues with your subaward, we can temporarily withhold cash payments if we find that grantees did not maybe classify costs properly or are not expending funds properly.

We can put them on the draw so we can withhold cash payments. We can disallow parts of the activity and disallow all or parts of an activity if we think it's improper. We have the power and so do you to suspend or terminate a federal award if the grantee is not performing in accordance with the award itself. We can suspend the grant and start debarment proceedings. We can withhold future awards.

We can, we have all these remedies that we can do depending on the situation with that subaward and we work through them step by step. You know, we start with maybe we put them on a (clear ?) straw and we try to provide them TA, but eventually go further and further if the grantee still cannot adjust or do what we ask them to do. It gets, we can take further action and eventually just stop the grant.

So let's do a knowledge check. We put the knowledge checks up there. First one, is the recipient is responsible for issuing management decisions on audit and monitoring findings. True or false? We've got a mixed group here. Answer is true I believe. And once the subaward has expired, there is no further need for resolution of findings.

I know the most likely answer is true, but the answer is false. You know, we try to, we keep grants. When we give an award, we keep it open until we resolve all findings and that's usually up to three years until the last single audit came in to make sure all the single audit findings are resolved or any monetary findings. But we try to get everything resolved during that timeframe, but we'll hold that grant open. We will not do a formal closeout.

So that ends it. Also, just to let you know, we have other questions to ask. We also want to point to our web resources. You know we have training as you know. Debbie mentioned we're doing these e-SMART webinars. There's a schedule for those on WorkforceGPS and they'll be coming out. We have other websites at doleta.gov and if you go /grants, there's the awards are issued there. There's guidance around our handbooks, our core guide, terms and conditions, ETA grantee handbooks and so forth. So there's a lot of web resources available to you. With that, I'll wrap it up and ask if there's any – and there's a schedule I believe in there also.

Any questions? OK. Then we'll turn back to you.

MS. STRAMA: All right. Thank you, Tom. We did have a few questions that are coming in, so we'll answer those in a bit. I just wanted to point out to everybody that located on this slide right here is the hyperlink to our community of practice page. And so that is the grant application and management page that contains, currently we have some professionally narrated modules along with all of these archived modules that will be recorded and uploaded from this SMART 3.0 series.

One other thing I'd like to also point out. If you are a discretionary grantee or if you just recently received an award through a competitive process, so you submitted a grant application through grants.gov and you were recently awarded a grant and normally part of the funding opportunity announcement is a revision in there that requires you to make connection with our American Job Center.

And so this is the employment program or this is the program that sponsors or funds all of the American Job Centers across the nation. And so what these American Job Centers are offices that contain linkages and partners of other programs that help serve your local community, whether to provide employer services in helping employers provide some training and it also provides services to dislocated workers, youth individuals or youth that are in your local area as well as the best in a whole bunch of other populations.

And so if you're looking or if you don't know where to turn in finding your American Job Center, you can click on this link here below on the bottom of the left-hand column, which is what is the best way to find your local American Job Center. And so you click on the service locator.

You could query our system using a zip code or a congressional district ID or just an address and it will populate all of those American Job Centers in your area. And from there, you could reach out to the board or to that office to determine whether or not you need to partner with that organization. And when you partner, it's just one way to expand the reach of our federal grant dollars by making a connection with these American Job Centers.

OK. With that being said, we wanted to go through a few questions that came in from the audience. We have about 22 minutes left over to address these questions. And so let's go to the very first one. OK.

Would it be our responsibility to have a subrecipient to correct those (see finds ?) So this would be their schedule of expenditures for federal awards. Do we require it or can they pass on I guess in an adjusting journal entry if their auditors tell them it's not material?

And so the intent of an audit and the financial statement is to make sure that the reader is making an informed decision about an organization. So if the error is a material issue that would sway the reader or the person using that audit to make a different decision, using that report then it would seem likely that an adjustment would have to be made. And so I would suggest in this situation, you know, talking to the grantee and talking to the auditors how to best approach handling that correction.

A lot of times we do see this being an issue that auditors are recording and capturing expenditures under the wrong CFDA number. And so that is the Catalog of Federal Domestic Assistance number.

And so they should be getting a copy of the grant agreement when they're preparing those statements or if you've prepared preliminary financial statements to make sure that your accounting system or whatever system you're using to track those federal awards clearly contain the correct CFDA number. And so those numbers slightly changed when we went from the Workforce Investment Act to the Workforce Innovation and Opportunity Act.

OK. So the next question that came in is how do grantees typically use the risk assessment tool and do they submit questions for the potential subgrantee in the form of a survey? So what this risk assessment tool that we provided you a copy of in this presentation is, you can use this a variety of different ways. You can use this when you're evaluating proposals that have come in.

And so if you've determined that there is a handful of proposals that you would like to fund and you're about to go through negotiations or a base, reach a level of satisfaction or that they're in, you know, the area for, you know, awarding, then this would probably be at the time you would ask them these questions.

And so then this is where, you know, you could identify certain or you could provide them a few points or you can include this as a factor. Or if not, that you then ask them these questions in that risk assessment tool prior to award.

Another way you can use this risk assessment tool is once you've awarded those dollars and you are determining, you know, which grants or which subrecipients you are going to monitor first, so this is a way in which you can prioritize your time and your travel dollars. So you would want to hit those agencies that have been scored higher or have been deemed risky versus those lower-risk entities.

The next question that came in is on the grant award where we insert the total amount of federal funds awarded to the grantee, does this mean total for the fiscal year? The one thing that we are required to do at the federal government is to report back to Congress and the way that we report back to Congress is we trace all of these federal awards that we issue based on appropriation. And so those dollars that are then awarded to you are based on appropriation, so you would have to look again at your grant agreement.

And so if you received in an award that has two separate sets of accounting codes or payment management system codes, then that would mean you would have to track those dollars separately because in all likelihood, when there are two sets of numbers listed, that means it was issued under two sets of or two different appropriations. And so it could be a fiscal year appropriation, which goes from October to September or a program year appropriation funding through a program year, which would go from July to June.

And so you need to make sure that if your fiscal year is different from the fiscal year or program year issued by the federal government, that there is some kind of crosswalk between those two because again it has to be reported up into the CSP (ph) or into your financial statements correctly as well as it has to be reported back to us in the proper report correctly. So when you do issue those monies out to those subrecipients, you should be issuing them out separately as well.

OK. So another question that came in is when is an alternative monitoring an alternative to annual onsite reviews? Information presented here today seems to contradict the mandate of the annual onsite.

And so this is a very good question. We highlighted the requirements contained in the Workforce Innovation and Opportunity Act, so if you receive a Title I grant it does require that the state conduct annual onsite monitoring of its local areas. And so this is the one program that requires actual annual onsite monitoring.

So all the other programs or initiatives that do not have a specific program regulation or a specific program statute that would require onsite annual visits, then the default is turning to the uniform guidance and the uniform guidance does not specify what types of monitoring must be conducted.

Tom shared with you all the different ways in which you can conduct monitoring and oversight, so conducting onsite physical, you know, like actually visiting that location is just one of many ways in which you can conduct onsite, that is just one of many ways in which you can conduct monitoring.

So bottom line, you need to perform some kind of oversight and monitoring of your organization. Does it always have to be a physical presence at their office? Not necessarily so. It is all dependent on the program or project you're operating for the Department of Labor.

OK. So there, one question that came in is it is my understanding that they are only subrecipients if they are responsible for a program element like – oh. Somebody's moving the questions here. It is my understanding that they are only subrecipients if they're responsible for a program element like performance targets such as common measures. So we are really just the pass-through entity and the recipients are vendors. With this in mind, do we not have to follow all of these requirements? Is this correct?

As we had indicated before, it is the substance of the agreement. What are they doing? What are they performing that matters most? So you could coin them, you could classify them or you could call them a vendor or contract in that agreement. But if the things that they're doing in relation to the monies that they're receiving related to this federal award, if they're performing in the function or in the capacity of a subrecipient, then they must be monitored.

And so again, you could, if they ask you to, you know, take subrecipient out of the contract you've made or that template and they may ask you to classify them as vendor, you could put that in that agreement. But if anybody comes out and conducts a site visit and looks at what is being performed or what is being done in relation to that contract or agreement and if it's determined that they're acting in the role of a subrecipient, then the pass-through entity must perform monitoring and oversight of those agencies.

And then just a quick FYI, under the old OMB circulars for cost principles, the federal government had identified the difference between vendors and subrecipients. Under the uniform guidance, the word or the term vendor has been replaced with contractor.

MR. DILISIO: Debbie, let me just add also not only just onsite monitoring, but all the regulations as a pass-through entity would apply to a subrecipient if they're doing programmatic work for the pass-through entity.

MS. STRAMA: That's correct. Thank you, Tom. OK. Let's see. OK. So I guess some people are struggling to find or they click on the service locator link. I don’t know, Callie or Grace, does it not work when you clicked on that link because there is, when you click on that link it should identify all of the American Job Centers in a particular state.

MS. MCCALL: It did work for me at home. It took a little while. It could be that the site is going through some maintenance. That might, it also might just depend on something in your particular area with your Wi-Fi on your computer unfortunately.

MS. STRAMA: OK. All right. OK. So there are a few other questions. I'll kind of summarize them together is do these remedies that were addressed or talked about today during this module apply to state-level policies or are they only related to non-compliance with federal regulations?

And so the state can impose additional requirements onto a grant agreement or a subaward. And so they could in fact, they should in fact use the same resolution process that they have in place for resolving compliance findings related to a federal award. But for our purposes, we would only expect the minimum requirements, but resolution in using a management decision would be related to areas of non-compliance tied to federal requirements or federal regulations.

OK. And here's another question about the appeal process. So if you receive a pass-through award from a state agency and you're going through a corrective action plan with that state agency, the resolution and the peer process must be completed through the state's process before it can be turned over to the Department of Labor appeal process. And so again, this is only applicable to the programs that are formally funded through a formula process, so this would be like cut along WIOA programs.

To Tom, what do you think about this last question? Who has to conduct monitoring if they've had a single audit completed?

MR. DILISIO: Well, you know, single audit comes after the period of performance. There still needs to be, there still is some awards. There still needs to be monitoring conducted during the period of performance. So I would say yes. Even though it's in the same county, two different departments, you would still do some kind of monitoring. It may not be, it could be onsite because you're rotating in the same building I guess, but you would do some monitoring. The fact that a single audit is done doesn't necessarily remove you from doing compliance with the other parts of the regulations that you need to do monitoring based on the risk assessment.

MS. STRAMA: Right. And I agree with that. And if you look at our risk assessment tool, that's one area of risk so you can consider whether or not they've had a single audit done and whether or not they've had no findings or if there's been findings and that could gage whether or not in this particular area if they would be deemed high-risk or low-risk.

MR. DILISIO: Mm-hmm.

MS. STRAMA: OK. I think that's it for the questions. I don't see anything else. I don't know. Tom, do you see anything else in the chat box?

MR. DILISIO: No, but I think this is just, you know, the big key here is as Debbie mentioned earlier the distinction between subrecipients and contractors that really dictate the requirements as a pass-through entity that you're responsible for for your subrecipients and your monitoring and that you have a plan in place. You know, you conduct early risk assessment and if there's a plan in place to be sure that, we want to be sure that that award is successful and you want to be sure that award is successful. That's all part of the oversight and monitoring process.

MS. STRAMA: Yes. That is correct. OK. Well, that's all the questions that we have. I would just like to remind everybody we have the continuing modules on SMART 3.0. We're going to continue with the SMART 3.0 training. This Thursday, we're going to be doing a module on financial management procedures and internal controls.

We'll hear from two different voices of experience, so we will have Gwen Webb from the Dallas regional office talking about it along with Latania Turns (ph) who is out of my division doing the presentation of this Thursday. So we'll turn it back to Grace for last words.

(END)