

Prime Recipients and Subrecipients, and Making a Positive Impression

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Note: This presentation is intended solely to provide general information and does not constitute legal advice. You should not take any action based upon any information in this presentation without first consulting other parties, including legal counsel, familiar with your particular circumstances.

Presentation Content

- ▶ Difference between a subrecipient, vendor, and a consultant
- ▶ Controlling the subrecipient's role in supporting your project's success
- ▶ Subrecipient monitoring
- ▶ Data and outcomes
- ▶ Communicating with the funder
- ▶ Funder monitoring of grantees

Typical Subrecipient Characteristics

- ▶ Purpose of the agreement is to assist, stimulate, or support the lower-tier organization
- ▶ Selection based on need for funds or extent of the problem
- ▶ Usually paid in advance
- ▶ Prime recipient has option to apply special conditions if sub is high risk
- ▶ May provide match
- ▶ Prime recipient accepts risk
- ▶ Agreement provides funds for tools and supplies

Typical Vendor Characteristics

- ▶ Purpose is to buy, acquire, or purchase goods or services from a lower-tier organization
- ▶ Selection based on capability to deliver the service at the lowest possible cost
- ▶ Paid after performance of service
- ▶ Not considered if history of poor performance
- ▶ Not responsible for match
- ▶ Minimal risk
- ▶ Provides own tools and supplies

Typical Consultant Characteristics

- ▶ Not an employee
- ▶ Possess a special skill beyond the grantee's capability
- ▶ Based on previous cost patterns, customary fees
- ▶ Qualified to provide the service
- ▶ Services will not continue

2 CFR 220 (A-21) J 37

Subrecipient Agreement – Include:

- ▶ At least 1 fiscal and 1 programmatic monitoring mechanism
- ▶ Specific information about the award and accompanying responsibilities (including regulatory information)
- ▶ A-133 compliance
- ▶ Programmatic and fiscal contact information

See sample Subrecipient Agreement

Subrecipient Agreement – Avoid:

- ▶ Requirement to comply with OMB Circulars that do not apply to their type of entity
- ▶ Anything that you cannot monitor effectively

Subrecipient Agreement – Watch Out:

- ▶ Match – you are obligated to compensate for shortfalls
- ▶ Audits – train your subs to be prepared
- ▶ Monitoring – establish/follow your process
- ▶ Payment Timing – advance vs. reimbursement

Subrecipient Agreement – Watch Out:

- ▶ There are no government-wide administrative policies for for-profits (FARs do not count) – use OMB Circulars as guidance to build accountability measures in the agreement
- ▶ Cannot do business with Excluded Parties

<http://www.epls.gov>

Subrecipient Monitoring

- ▶ Should be risk-based
- ▶ Perform annually using prioritization standards
- ▶ Recommend a team approach: Project Director (programmatic) and Finance representative (budget)

Subrecipient Monitoring Checklist

- ▶ Internal financial controls
- ▶ Payroll
- ▶ Accounts payable
- ▶ Direct and indirect costs
- ▶ Procurement
- ▶ Equipment
- ▶ Performance documentation
- ▶ Progress in achieving outcomes and producing deliverables

Data Drives Outcomes

- ▶ Data helps you understand the complexities of the problem
- ▶ Data helps you measure the gap
- ▶ Data helps you measure the degree of need
- ▶ Data helps you determine if other related program models are useful
- ▶ Data helps you determine ambitious but achievable outcome objectives

Communicating with the Funder

- ▶ Try to depend upon your internal resources for information whenever possible (staff knowledge and training is critical)
- ▶ Communications with the funder must be handled strategically – an “innocent” inquiry can sometimes end up hurting you!

Look Who's Watching

- ▶ Federal grant programs have the obligation to ensure that public funds are spent properly
- ▶ Federal agencies are under increasing pressure to demonstrate accountability and transparency

Look Who's Watching

- ▶ Desk Audit/Desk Review
- ▶ Site Visit/Monitoring Visit
- ▶ Program Review
- ▶ Audit
- ▶ Investigation

See sample Desk Audit Questions

Site Visit

- ▶ Showcase your good work
- ▶ Review your management ability
- ▶ Assess your progress
- ▶ Examine compliance
- ▶ NOT an audit
- ▶ NOT an investigation
- ▶ NOT a “nothing to worry about” visit

Site Visit

- ▶ May be an individual or a team
- ▶ Usually follows a script/agenda which may or may not be revealed to you in advance
- ▶ PREP! Self-audit files, spending, etc., prepare for questions

See sample Site Visit Agenda

Entrance Conference

I'M FROM THE
GOVERNMENT,
I'M HERE
TO HELP



...and we're so happy
you're here!

Entrance Conference

- ▶ Intent of visit
- ▶ Review schedule
- ▶ Establishment of ground rules
- ▶ Grantee introduction
- ▶ Key staff and administrators should attend
- ▶ Keep questions and comments to a minimum

File Review

- ▶ Find evidence that activities have taken place
- ▶ Compare with originally-approved proposal and previously-submitted reports
- ▶ Establish that grant is making adequate progress
- ▶ Files are organized, consistent, clear

Staff Interviews

- ▶ Establish that staff perform duties in approved job descriptions
- ▶ Determine that staff understand the project goals and objectives
- ▶ Determine that staff understand policies and procedures
- ▶ Be succinct and honest
- ▶ OK to defer/delay an answer, but try to get the answer to the visitor before the end of the visit
- ▶ NOT a time to complain or present a wish list

Policy and Procedure Review

- ▶ Confirm that grantee has **written** policies and procedures that are followed
- ▶ Test internal controls

Expenditure and Inventory Review

The 5th Wave

By Rich Tennant



"Hi, I'm Bob Darrel. I'm here to perform the audit of your books. Don't mind the vultures. They follow me everywhere."

Expenditure and Inventory Review

- ▶ Determine if expenditures are reasonable, allowable, allocable, necessary
- ▶ Test financial internal controls
- ▶ Review property records
- ▶ Compare Time and Effort documents against payroll records

Exit Conference

- ▶ Cursory overview of the visit
- ▶ Share preliminary findings, concerns, recommendations
- ▶ Last opportunity for grantee to address concerns, unanswered questions to prevent them from appearing in the Final Report
- ▶ Final Report findings require a corrective action plan, recommendations sometimes require a corrective action plan