ATTACHMENT 4-1

SAMPLE SUBAWARD RISK ASSESSMENT AND MONITORING POLICY

POLICY

[Organization's] policy is to assess the risks presented by each subaward relationship and to conduct monitoring and oversight appropriate to the identified risks. Such monitoring and oversight will be calibrated to provide [Organization] a reasonable assurance that each subrecipient is carrying out its subaward activities in a manner consistent with federal requirements.

Further, it is [Organization]'s policy to address any areas of noncompliance with subrecipients and to ensure that when instances of noncompliance impact costs [Organization] has charged to one or more federal awards, corrections are made.

[Organization] will assess subrecipient risk and apply monitoring activities as follows.

RISK ASSESSMENT AND MONITORING PROCEDURES

I. <u>Initial Risk Assessments</u>.

In accordance with 2 C.F.R. § 200.332(c), [Organization] evaluates each subrecipient's risk of noncompliance with federal requirements applicable to federal award funds and activities. To do so, [Organization] personnel are to take into consideration the following factors to the extent appropriate to each individual subaward situation:

- Subrecipient's prior experience with similar awards;
- Financial stability;
- Results of previous OMB Circular A-133/Subpart F Audits ("Single Audits");
- Whether subrecipient has new personnel or substantially changed systems;

- The extent to which a federal awarding agency monitors subrecipient's activities under direct awards;
- Adequacy of financial management systems and procedures;
- Proper treatment of allowable and unallowable costs (including cost allocation),
- Adequacy of internal controls (policies and procedures), and
- Compliance with the following [Federal awarding agency] requirements specific to the types of awards received by [Organization]:
    - [Insert, *e.g.*, beneficiary eligibility for service delivery; Davis Bacon for certain construction awards; *Build America, Buy America* sourcing for covered infrastructure projects, *etc.*]
    - [Part 200, App. II Standard Clauses, where applicable]
    - [Insert]
    - [Insert]

[Organization] will generally conduct risk assessments in advance of making awards. In circumstances where advance assessments are not practical, [Organization] will make every effort to conduct an initial assessment within the first three (3) months of the subrecipient's performance.

Depending upon the degree of risk anticipated, and [Organization]'s experience with the subrecipient, the initial assessment may be more or less robust. It may include one or more site visits to the subrecipient's offices or facility, desk reviews of subrecipient's policies and procedures, and/or review of subaward project plans.

II. <u>Monitoring</u>.

In accordance with 2 C.F.R. § 200.332(e), [Organization] monitors subrecipient performance of subawards through the mechanisms described below.

[Organization]'s most effective tool for continuous monitoring is requiring reasonable supporting documentation for invoiced subaward costs. [Organization]'s baseline standards for supporting documentation are set forth below. However, depending upon what can be negotiated with the subrecipient, actual requirements on a subaward-by-subaward basis may differ. In some circumstances, enhanced documentation may also be required.

[Organization] will also generally require quarterly reports, conduct bi-annual site visits to subrecipient facilities and offices, and conduct periodic desk reviews. As with invoicing, the standards set forth below are baseline standards which may be modified on a case-by-case basis.

A. Monthly Invoices.

Monthly invoices will generally be required. The following supporting information will generally be required with invoices.

- Personnel Costs. [Organization] will generally require that invoices containing personnel costs charged to a subaward be supported by spreadsheets listing the following:
  - Name of each employee for which a charge is invoiced,
  - Site at which the employee works,
  - Percentage dedication of the employee to contract work,
  - Amount of the salary/wage expense charged,
  - Amount of the fringe expense charged, and
  - Aggregate charge for that individual for the invoice period.

    Note: For personnel costs, supporting documentation is expected to include documentation supporting the allocation of invoiced portions of employee salaries/wages and fringes to the subaward (which for 100% dedicated individuals may be in the form of bi-annual certifications, but for less than 100% dedicated individuals must reliably reflect actual distribution of effort). *See* 2 C.F.R. § 200.430(g) (Standards for Documentation of Personnel Expenses).

- Program Income. [Organization] will require that subrecipient's invoice report any program income earned and that subrecipient has expended same consistent with applicable program income rules and cash management (order of spending) rules or, alternatively, if applicable, showing that subrecipient has retained same.

- Supplies and Equipment. [Organization] will generally require that invoices containing supply and equipment costs charged to a subaward be supported by spreadsheets listing the following:

    - Each supply or equipment purchase,
    - Location at which the supply or equipment will be used, and
    - Price paid for each.

- Service Contract Costs. [Organization] will generally require that invoices containing service contract costs (other than supply and equipment costs) list the nature of the contracted service, the duration of the contract, the amount of the contract price invoiced to [Organization], and the method by which the subrecipient determined the invoiced amount represented the amount of the contract price allocable to the subaward.

B. Quarterly Reporting.

- Financial. [Organization] will generally require subrecipients to submit quarterly financial reports that provide a budget to actual summary of expenses incurred under the subaward. The reports should generally list expenses by budget category and should include both quarter-specific information and "year-to-date" information.

- Programmatic. [Organization] will generally require subrecipients to submit quarterly reports describing project progress. The nature and content of such reporting will vary depending upon the nature of the subaward.

C. Policy Desk Reviews and Bi-Annual Site Visits.

- Policy Review. [Organization] will generally require that, within the first three months of performance, and annually thereafter, subrecipients provide [Organization] with copies of all subrecipient organizational policies and procedures that impact performance of a subaward (and management of federal funds thereunder). After review of such policies, [Organization] will notify the subrecipient of any concerns. In conducting such reviews, [Organization] personnel are to take into consideration that there is more than one way to accomplish organizational goals and structure organizational systems. [Organization]'s review of policies and procedures is merely to identify risks of noncompliance with federal requirements, not to insist upon any one method of accomplishing compliance.

- Site Visits. [Organization] will generally make bi-annual site visits to subrecipients' project sites. During site visits, [Organization]'s site visit personnel will examine financial and programmatic activity covered by the subaward. The review may include, but not necessarily be limited to, the following activities:

  - Testing expenditures invoiced under the subaward, in particular verifying adequate tracking of such expenditures in the subrecipient's financial management systems, as well as adequate supporting documentation.

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- Examining subrecipient's project activities, and independently assessing progress to date.

- Meeting with key personnel to discuss areas where project activities are going better than expected and areas where project activities have encountered impediments.

  - *Note:* [Organization]'s Chief Executive Officer may sign a reasonable non-disclosure agreement ("NDA") on behalf of [Organization] if required by a subrecipient to access subrecipient's business records. However, any such NDA must provide that [Organization] will not be prohibited from making disclosures required by law or requested by governmental authorities (including disclosures necessary to correct charges under the Prime Award).

  - *Note:* [Organization] may from time to time engage outside audit support to assist with site visits or other monitoring activities.

- Corrective Action. If deficiencies are identified during a site visit and/or desk review, [Organization] will follow-up with the subrecipient to establish a corrective action plan. Additionally, based upon the monitoring outcomes, [Organization] will consider adding other monitoring activities, including increasing site visit frequency or enhancing the type of monitoring.

D. Periodic Conferences. Regardless of whether [Organization] identifies any areas of concern through its oversight activities, [Organization]'s senior representative responsible for managing a subaward will generally meet no less than quarterly with his or her counterpart within the subrecipient's organization to confer regarding ongoing work.

E. Audits. [Organization] will implement any and all measures required to monitor and respond to subrecipients' audits per 2 C.F.R. Part 200.

III. Documentation.

[Organization] will document its subrecipient monitoring activities and retain such documentation for the periods set forth in 2 C.F.R. § 200.334.