Working With Partners Part 2

Texas Association of Regional Councils

February 2026

MyFedTrainer

Learning Objectives

- A general overview of the responsibilities and requirements associated with subrecipient monitoring during award
- Understand common subrecipient audit risks and remedies
- Understand what memorandums of understanding (MOUs) are and when to use them
- Review parking lot topics from previous sessions
- Review next steps for successful grants management

Part 1: Subrecipient Monitoring

Responsibilities

Pass-through entities (PTEs) have the primary responsibility to monitor the subrecipient, are ultimately responsible for the work of the subrecipient, and need to document their monitoring activities.

§ 200.332 covers the responsibilities of PTEs regarding subrecipients.

Set Expectations With Subrecipients

- Discuss the main performance objectives and compliance areas with subrecipients
- Enlist finance to communicate internal control expectations that prevent, detect, and deter waste, fraud, and abuse of funds
- Encourage subrecipients to review important internal controls for grant management compliance early in the award, including a close review of the notice of award requirements
- Discuss how the subrecipient periodically monitors its staff and follows organization policies and procedures

Why Is Monitoring Important?

- Protects Federal Funds
- Ensures Compliance
- Promotes Program Success
- Mitigates Risk
- Supports Accountability

Your experience with a partner may vary drastically from a previous project. Ongoing monitoring ensures you are aware of and able to address any issues proactively.

Ways To Monitoring Subrecipients

Ways to Monitor:

- **Must** follow-up and take appropriate action on all deficiencies
- **Must** take enforcement action against noncompliant subrecipients
- **Must** review financial and performance reports, and audits
- **Must** consider if the results of monitoring indicate conditions that necessitate adjustments to the pass-through entity's own records.

- **May** conduct on-site visits to program operations
- **May** provide training and technical assistance on program matters

Standard Monitoring Plans

2 CFR 200 requires individualized risk assessments.

- Low level of risk = low level of monitoring
- High level of risk = high level of monitoring

Handout 7.1: Subrecipient Monitoring Plan Checklist

Download your resource!

Additional Monitoring Requirements

The PTE:

- Must include all required elements from §200.332 in the subagreement
- Must review required reports
- Must verify subrecipient is audited as required
- Must issue a management decision on audit findings related to the subaward
- Must ensure subrecipient takes necessary corrective action on deficiencies and audit findings related to subaward
- Must consider if information from audits and monitoring necessitates adjustments to PTE records
- Must consider enforcement action for noncompliant subrecipients
- May provide technical assistance
- May perform site visits as part of monitoring

Exercise 7

Instructions for Participants:

Read the DOJ Subrecipient Monitoring Guidelines and respond to the questions below.

Question

1 Which of the following BEST describes a subrecipient (vs. a contractor)?

Options

A Provides goods and services within normal business operations

B Uses federal funds to carry out part of the programmatic effort

C Operates in a competitive environment

D Provides similar services to many purchasers

Exercise 7- Answer

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Exercise 7

Question

2 Which of the following is a REQUIRED element of a subaward agreement?

Options

- **A** The subrecipient's last three years of tax returns
- **B** The subrecipient's indirect cost rate (if applicable)
- **C** A notarized letter from the Authorized Representative
- **D** Copies of all internal policies and procedures

Exercise 7- Answer

Question

2 Which of the following is a REQUIRED element of a subaward agreement?

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B **The subrecipient's indirect cost rate (if applicable)**

C A notarized letter from the Authorized Representative

D Copies of all internal policies and procedures

Exercise 7

Question

3 A subrecipient receiving $80,000 in pass-through funds with no prior issues is most likely:

Options

A High risk

B Medium risk

C Low risk

D Unable to be classified

Exercise 7- Answer

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Exercise 7

Question

4 How often must a medium-risk subrecipient be monitored at minimum, according to DOJ guidance?

Options

A Twice per year

B Monthly

C Quarterly

D Annually

Exercise 7- Answer

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Exercise 7

Question

5 Which factor increases a subrecipient's risk level?

Options

A They provide timely reports and have no history of findings

B They are experienced and use a stable accounting system

C They recently experienced turnover in key financial staff

D They have a strong record of meeting program objectives

Exercise 7- Answer

Question

5 Which factor increases a subrecipient's risk level?

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Exercise 7

Question

6 Which of the following is a recommended monitoring activity?

Options

A Reviewing eligibility documentation for program participants

B Requiring the subrecipient to use the pass-through entity's accounting system

C Re-negotiating the federal award terms

D Visiting the subrecipient only during the award closeout period

Exercise 7- Answer

Question

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Exercise 7

Question

7 A subrecipient receiving $900,000 in federal pass-through funds must have which additional review element?

Options

A Federal site visit

B A review of inventory tags

C A review of the single audit

D A review of the entity's organizational chart

Exercise 7- Answer

Question

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Exercise 7

Question

8 Which item should be assessed when determining if a subrecipient meets program objectives?

Options

A Amount spent on office supplies

B Actual accomplishments compared to program goals

C Whether the subrecipient uses the same reporting template as the pass-through entity

D Whether the subrecipient hired external evaluators

Exercise 7- Answer

Question

8 Which item should be assessed when determining if a subrecipient meets program objectives?

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Exercise 7

Question

9 Which of the following is an appropriate corrective action?

Options

A Requiring the subrecipient to close the award early

B Providing unlimited extensions for reporting

C Creating specific, time-bound corrective steps with follow-up deadlines

D Allowing the subrecipient to self-certify that issues will be fixed

Exercise 7- Answer

Question

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Exercise 7

Question

10 What should the pass-through entity do if monitoring identifies areas of non-compliance?

Options

A Wait until the end of the period of performance to notify the subrecipient

B Document required corrective actions, timelines, and potential sanctions

C Immediately suspend all payments without explanation

D Notify the federal awarding agency to take over monitoring responsibility

Exercise 7- Answer

Question

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Part 2: Subrecipient Audit and Remedies

Pass-Through Responsibilities

Revised 2 CFR 200.332 Requirements for pass-through entities (PTE) responsible for addressing only a subrecipient's audit findings that are specifically related to their subaward.

PTE Responsibilities:

- Issuing a management decision for audit findings pertaining only to the federal award provided to the subrecipient from the PTE
- PTE is responsible for resolving audit findings specifically related to the subaward and is not responsible for resolving cross-cutting findings

Key Audit Risk Areas

- **Weak Internal Controls –** Lack of segregation of duties, poor documentation, or inadequate policies
- **Inexperienced Staff** – Limited grant or financial management capacity
- **Poor Financial Stability** – Cash flow issues or history of questioned costs
- **Noncompliance History** – Prior findings, late reports, or missed deliverables
- **Complex or High-Dollar Awards** – Increased risk due to scope, cost, or technical requirements

Common Audit Findings

- **Unallowable Costs** – Expenses not permitted under 2 CFR 200 or award terms
- **Unsupported Expenditures** – Missing receipts, timesheets, or documentation
- **Improper Procurement** – Lack of competition or missing SAM.gov checks
- **Weak Time & Effort Reporting** – Inaccurate or incomplete personnel documentation
- **Late or Inaccurate Reporting** – Financial or performance reports not submitted or incorrect

Incomplete Subaward Reporting - GAO analyzed 3,680 single-audit findings (2022–2024) from the FAC and found that 36% related to subaward oversight. One common issue: many prime recipients did not fully report subawards in the required FSRS (FFATA Subaward Reporting) system, limiting transparency.

Lack of Subrecipient Monitoring

An audit found no evidence of subrecipient monitoring for 3 of 7 subawards managed by the PTE. This led to questioned costs and doubt in the PTE's ability to manage further subawards.

Addressing Audit Findings

Review & Validate	• Confirm the issue with the subrecipient and clarify with the auditor • Assess severity - financial risk, compliance impact, potential fraud, etc.
Root Cause Analysis	• Identify the root cause - inadequate controls, staffing gaps, training, etc. • Understand if issue is isolated or systemic
CAP	• Develop a Corrective Action Plan to address the root cause • Offer technical assistance • Increase monitoring/oversight to verify CAP implementation
Document & Track	• Maintain detailed records of CAP, communication, verification, etc. • Update subrecipient risk assessments based on findings and ultimate resolution

Part 3: Working Through MOUs

What Is A Memorandum Of Understanding?

A formal, written agreement between two or more parties that outlines roles, responsibilities, and expectations in collaboration, without creating a legally binding contract

- Clarifies roles and responsibilities
- Establishes shared goals and accountability
- Supports compliance with federal requirements and award terms and conditions

Handout 7.2: Sample MOU Template (from DOJ)

Download your resource!

Why MOUs Matter For Grants

- Prevents confusion or overlap of responsibilities
- Can include timelines to ensure both parties are working toward a goal at the same speed
- Provides documentation for auditors and federal reviewers
- Facilitates smooth collaboration and conflict resolution
- Ensures all parties understand expectations and compliance requirements

Part 4:
Parking Lot

Property And Inventory Management

- Property purchased with federal funds can have ongoing requirements regardless of how the property is titled.
- You must review your T&Cs to determine who owns the property upon acquisition.
- Complete and accurate property and inventory records must be maintained by recipients and subrecipients. Often submitted annually.
- Federal agency directs method for property disposition.

Handout 7.3: Equipment and Property Log Template

Download your resource!

Completing The SF-424

The Standard Form 424A is a required form used to provide budget information in federal grant applications. Key parts include:

- *Applicant Information:* legal organization name, EIN/TIN, DUNS/UEI, address, organizational type (must match SAM.gov).
- *Project Details:* title, description, start & end dates, etc.
- *Budget Summary:* requested amount, non-federal cost share (if required), and program income.
- *Assurances & Certifications:* Review for accuracy before submission; ensure consistency with SAM.gov and internal records.

Federal Funding And Accountability Transparency Act Reporting

The FFATA increases transparency by requiring prime grant recipients to report subaward and executive compensation data to the public USASpending.gov database.

Reporting is required for all prime recipients of federal grants or cooperative agreements ≥ $30,000 (and their first-tier subawards).

Common Issues to Avoid: Missing UEIs, incorrect obligation amounts, late submissions, and inconsistent award descriptions.

Other Outstanding Topics In Progress

Part 5:
What Now?

Preparing For Success Pre-Award

- Take the time following this training to review the processes and policies to understand the administrative requirements
- Conduct a gap analysis of your policies, processes, and systems to see what is missing from the 2 CFR 200 requirements
- Take the time to update your project plan to incorporate people assigned to tasks, specific action steps and deadlines as you are preparing your grant applications

Key Considerations And Questions

- What are the grant management priority areas you need to address first?
- Do you need additional personnel or contractors to manage the work?
- What technology or systems do you need to develop or update?
- Are there activities you should start with current award(s)?
- Do you need additional clarification on specific issues?

Handout 7.4: Review of Federal Grant Management

Download your resource!

Step 1: Review The NGA Terms And Conditions During The Kickoff Meeting

- Review financial and programmatic requirements outlined in the grant award terms and conditions
- Review requirements against your organization's structure, operations, and processes
- Make improvements before findings are identified
- Contact the funding agency's grant specialist with questions or assistance

Step 2: Meeting Your Team

- Include all applicable stakeholders (internal and external partners).
- Identify roles and responsibilities.
- Set up tracking system to manage tasks – develop a project plan to include critical deadlines.
- Determine ongoing meeting schedule.
- Create accounting codes specific to the award.

Step 3: Set Up Regularly Scheduled Meetings

- Relay budget information, accounting codes, and permissible cost guidance.
- Confirm encumbrance amounts.
- Share deadlines and all other important, cross-cutting information.
- Identify system(s) to track and manage critical deadlines and assign responsibilities.

Step 4: Determine Your Process For Ongoing Support And Maintenance

- Mandatory for compliance.
- Award's success is dependent on careful tracking by all relevant staff.
- Continued and additional funding requires diligence.
- Use system(s) to track and manage progress and financials.
- Recordkeeping is required and needed for single audit preparation

Session Review

- Ongoing monitoring is a key responsibility as a PTE.
- Monitoring plans must be tailored to each subrecipient.
- There must be adequate oversight of contractors.
- Audit findings may happen. Having a proven process to address and remedy them is key to maintaining relationships with your subrecipients and funder.
- MOUs are an important framework to enable successful collaboration.
- Setting up your organization for grants success.

Questions