

SUBRECIPIENT MANAGEMENT

DLR is responsible for issuance, monitoring, and closeout of subrecipient agreements in relationship to programs and services operated under the Workforce Training and Employment Services divisions. DLR created this manual using current state and federal laws and regulations. If employees identify a conflict, state and federal laws and regulations supersede this document.

Every DLR agreement with a non-State entity which is funded at least in part with federal funds must be designated as either a contract or a grant agreement. This may be done either before receiving proposals or after receiving proposals. Determination must be made prior to the awarding of a contract or grant. DLR utilizes the [Contractor/Subrecipient Determination Checklist](#) approved by the State Board of Internal Control (SBIC).

Grant agreements must be prepared by the DLR Legal staff. DLR utilizes the [Uniform Subrecipient Template](#) approved by the SBIC. All subrecipient agreements must be signed by the Cabinet Secretary or Secretary's designee. The Division of Administrative Services posts all agreements on open.sd.gov.

When the subrecipient has been determined, the program specialist will send the subrecipient a Welcome Letter. This will include a copy of the signed grant agreement and any other necessary documentation to inform the subrecipient of DLR's expectations and policies. DLR created a [webpage](#) for DLR subrecipients if they have any further questions or concerns about the subrecipient process.

DLR follows the Procurement Policies established by the South Dakota Bureau of Administration per South Dakota Codified Laws (SDCL) 5-18A and 5-18D.

1. If the contract is for professional services and the total amount exceeds \$50,000, an RFP is required unless one of the exceptions in SDCL 5-18D-21 is met.
2. If the contract is for supplies over \$4,000 and under \$25,000, three quotes may be obtained from different vendors.
3. If the contract is for supplies or services of \$25,000 or more, DLR must advertise for bids. See SDCL 5-18A-14.

Risk Assessment and Conflict of Interest

Prior to the issuance of a subrecipient award to a non-State entity, the Division of Administrative Services will conduct a pre-award risk assessment. This assists in determining the frequency and type of monitoring to be conducted. DLR reserves the right to monitor subrecipients more frequently or with increased monitoring type. DLR utilizes the [Pre-Award Risk Assessment](#) approved by the SBIC.

Entities which receive a high-risk assessment may be subject to additional terms and conditions in the grant agreement to help ensure success of the grant.

When entering into an agreement with a non-State entity, a [conflict of interest matrix](#) must be completed. This is to determine if a conflict of interest exists between the DLR staff administering the program and the entity. If a conflict is identified, the DLR employee may submit a waiver request to the department [per the South Dakota Bureau of Human Resources policy](#).

Requests for Cost Reimbursements

Subrecipients must submit invoices to DLR for reimbursement monthly. Costs must be allowable per Federal Uniform Grant Guidance standards. All costs must be well documented to be reimbursed (See [Cost Principles Template](#), Section IV). DLR does not issue grant funds prior to costs being incurred.

MONITORING

Federal Uniform Grant Guidance 2 CFR 200.331(d) states: "Monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, in compliance with Federal statutes, regulations, and the

terms and conditions of the subaward; and that subaward performance goals are achieved.” Monitoring ensures compliance with federal laws, regulation, and guidance, as well as state policies and procedures. These monitors safeguard that programs achieve intended results, resources are utilized efficiently and effectively for authorized purposes and are protected from waste, fraud, and abuse; and assure accurate and timely information is reported to serve as the basis for improved decision-making and required reporting.

The Division of Administrative Services monitors the fiscal components of a subrecipient agreement. The Division which issued the agreement monitors the program components of the agreement. When possible, the Divisions monitor the subrecipient at the same time and issue a joint report to the subrecipient monitored. However, the Divisions may agree to conduct separate monitoring at separate times. If this occurs, the monitoring Division will notify the other Division of the monitoring occurring.

DLR determines the frequency and correct method of monitoring of each subrecipient based on the **risk assessments** before entering and during the contract. The following are reviewed during the ongoing-risk assessment and are not all inclusive:

- Pre-Risk Assessment
- Results of previous audits and reviews
- Submitted vouchers
- Subrecipient’s policies and procedures
- Internal controls
- Recent turnover and or substantial changes made to the subrecipient’s organization
- Qualifications of key staff
- Size of federal funds received
- Days since last review

The following are the levels of risk:

Low Risk: Ongoing monitoring score of 0-90. Description: Has adequate grant management. Findings are minor in nature. Risk of non-compliance is low. Shows the ability and willingness to correct any findings promptly. Independently identifies, corrects, and monitors non-compliance and major risks. Subrecipients in this category have a desk review every year.

Moderate Risk: Ongoing monitoring score of 91-180. Description: Has some degree of concern in one or more management areas. Only minor findings are present. Risk of non-compliance is medium. Shows the ability and willingness to correct any findings promptly. Independently identifies, corrects, and monitors non-compliance and major risks. Subrecipients in this category have a desk review every year. An on-site review is done at least once every three years.

Moderately High Risk: Ongoing monitoring score of 181-270. Description: Has weak or risky management practices. Have findings ranging from moderate to severe. Risk of non-compliance is medium to high. Lacks the ability or willingness to correct findings promptly. Non-compliance and major risks are not independently identified, monitored, or controlled. There is generally a need to strengthen grant management policies and procedures. Subrecipients in this category have an on-site review every year.

High Risk: Ongoing monitoring score of 271+. Description: Has critically weak or non-compliance management practices. Major findings are present. Risk of non-compliance is high. Lacks the ability or willingness to correct findings. Non-compliance and major risks are not independently identified, monitored, or controlled. Stopping services or immediately strengthening management is needed. Subrecipients in this category have an on-site review every year. DLR performs ongoing monitoring assistance until major findings are resolved and may impose additional conditions.

The type of monitoring will be based on the risk assessment. A notification letter will be sent at a least 30 days prior to an on-site review. The types of monitors include:

Ongoing Monitoring

The continuous process of reviewing invoices and documentation by programmatic and financial staff, providing training and technical assistance, and reviewing performance and financial reports throughout the period of performance.

Ongoing monitoring may include the following elements:

- **Invoice Review** – Once DLR receives an invoice and documentation seeking reimbursement for costs, the program specialist in charge of the program reviews the costs to determine if they are allowable. The program director or program specialist must approve the invoice for reimbursement. The invoice and documentation must then be provided to the Administrative Services division. An accountant in the division will review the expenses for accuracy of expenses and allocation. After review, the accountant approves the invoice and division staff process the reimbursement.
- **Policy and Procedure Review** – The subrecipient has proper written policies in place and follows them for:
 - Financial Management (2 CFR 200.302). Federal awards are tracked separately and can be identified in the subrecipient’s accounting records (2 CFR 200.302 b.1). Cash Management (2 CFR 200.302 b.6)
 - Travel policy (2 CFR 200.474 a.). Costs are reasonable and consistent with entity’s established travel policy. If no policy is kept, they must be consistent with rates under 5 USC 5701-11 or 48 CFR 31.205-46(a).
 - Procurement policy (2 CFR 200.318). Ensure proper method of procurement utilized (2 CFR 200.320). Require debarment search results for purchases exceeding \$25,000. Track any equipment that costs over \$5,000 (2 CFR 200.313 i).
 - Compensation (2 CFR 200.430). Require time and effort documentation for the reimbursement of personnel expenses. Records should support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one funding objective.
- **Performance and Financial Reports Review** – Ensure performance goals are being achieved and reports are submitted on time. Ensure reports are in line with award objectives. Ensure performance reports are complete and reasonable. Performance reports should include:
 - Comparison of actual accomplishments to the objectives established by the federal award;
 - Calculation of the cost related to units of accomplishment;
 - Reasons why established goals were not met, if applicable;
 - Explanations, if applicable, of high unit costs or cost overruns;
 - Significant developments, problems, delays, and adverse conditions; and/or
 - Favorable developments.
- **Review Eligibility**
 - Were participants eligible under the applicable eligibility guidelines?
 - Were participant benefits properly discontinued when the period of eligibility expired?
 - Were program benefits calculated in accordance with program requirements?
- **Additional Monitoring** – If findings or areas of concerns are found during ongoing monitoring, the reviewer may proceed with a desk and/or on-site monitoring.

Desk Review (off-site) Monitoring

A remote review of financial records and analysis of financial and programmatic information conducted by a DLR program and financial staff, either together or separately. Financial and programmatic data is reviewed by DLR staff their office and may consist of communication by e-mail, mail, teleconference, or video conference. Prior to beginning the review, determine if program and financial monitoring will be done together or separately. Program staff and financial staff should share information collected during ongoing monitoring and communicate any special conditions or unique situations associated with the agreement. Desk Review monitoring may include the following elements:

- **Pre-Monitoring work** – Prior to sending the review notification letter, it is important to review available resources to identify any initial areas of concerns and to determine the scope of the review. Available resource to review include but not limited to:
 - Subrecipient agreement on file, Federal grant award notice, terms and conditions, programmatic requirements, and compliance supplement for any additional financial and programmatic requirements
 - Pre-Risk Assessment
 - Single Audit Reports, financial, or independent audit (if applicable)

- DLR prior monitoring reports
- Submitted vouchers and performance reports
- Timekeeping records provided with vouchers
- Governing board members and meeting minutes
- Fiscal budget to actual reports
- **Review Notification Letter** – DLR informs the subrecipient they will be monitoring the subrecipient remotely by mail and or e-mail. If the desk review is part of an on-site review, the letter will be sent no later than 30 days prior to the on-site visit. Prior to the review the following documentation may be requested:
 - Subrecipients Organizational Chart.
 - Copies of policies for programmatic and financial management as required in 2 CFR 200.301 and 2 CFR 200.302 and any additional CFR requirements for the funds being passed through.
 - If the subrecipient passes through any of these dollars to a subrecipient of their entity, and the policies as required in 2 CFR 200.331.
 - Sample general ledger information – List of all transactions for the current agreement or invoicing period. Select sample transactions and review source documentation.
 - Plan, data, or documentation on how the subrecipient is carrying out the program objectives of the agreement (2 CFR 200.328).
 - Budget development and monitoring process.
 - Copies of equipment and inventory as required in 2 CFR 200.313 – Policy, inventory and property records, and disposal records.
- **Final Analysis of Desk Review** – The reviewer will use the completed monitoring tools and attached source documents requested in combination with the preliminary review to effectively complete the desk review. Review all information collected for compliance with Federal and State Laws and regulations. The review should cover:
 - **Programmatic performance** – Performance and method by which program objectives are measured as required in 2 CFR 200.328. Performance reports should include:
 - Comparison of actual accomplishments to the objectives established by the award;
 - The reasons why established goals were not met, if appropriate;
 - Additional pertinent information, such as, analysis and explanation of cost overruns or high unit costs;
 - Significant developments, problems, delays, or adverse conditions; and/or
 - Favorable developments.
 - **Review Eligibility**
 - Were participants eligible under the applicable eligibility guidelines?
 - Were participant benefits properly discontinued when the period of eligibility expired?
 - Were program benefits calculated in accordance with program requirements?
 - **Mandatory Written Policies/Procedures**
 - Conflict of Interest (2 CFR 200.112) (2 CFR SDCL 1-56-10)
 - Accounting Policy / Cash Management (2 CFR 200.302)
 - Travel policy (2 CFR 200.474 a.)
 - Procurement (2 CFR 200.317 through 200.326)
 - Methods of Procurement (2 CFR 200.320)
 - Equipment definition, inventory, and disposition (2 CFR 200.313)
 - Time distribution records (2 CFR 200.430)
 - Internal controls (2 CFR 200.303)
 - **Internal Controls**
 - **Subrecipient policies** – If the subrecipient of the state passes the federal dollars to another subrecipient.
 - **Conditions of the award**
 - **Exit Meeting** – An exit meeting should be conducted after the conclusion of the final analysis of all on-site reviews and for desk reviews with non-compliance findings. The purpose of the meeting is to discuss any areas of concerns, findings, and promising practices found during the review and to allow

the subrecipient the opportunity to provide any clarity or additional information that may result in a finding no longer being a finding. The exit meeting should also outline the plan of action including when the Review Report will be sent, and any additional monitoring needed.

On-site Monitoring

When DLR program and financial staff perform an on-site review including review of financial records and analysis of financial and programmatic information, either together or separately, with key personnel of the subrecipient, in person, at the location of the subrecipient. A desk review must be conducted, using the process described in III. B. 2. - Desk Review (offsite) monitoring before an on-site review. **In addition to the Desk Review Process, the following steps must be done to complete the on-site review:**

- **Scheduling** – Prior to sending the notification letter and monitoring tool(s), the reviewer(s) need to communicate with the subrecipient to schedule the on-site visit (recommended by e-mail).
- **On-site Visit Planning** – With a thorough desk review complete, the reviewer will have a clear and concise understanding of the subrecipient’s strengths and weaknesses. This will allow the reviewer to set the scope of the review in terms of work to be performed and areas to receive special attention. All DLR staff involved in the review process should meet to discuss initial areas of concerns and potential findings discovered during the pre-monitoring and desk review and develop a set of follow-up questions covering pre- monitoring and desk review areas and responses needing additional explanation and/or information. The follow-up questions should be added to the on-site monitoring tool.
- **On-site Visit** – All DLR staff involved in the review will visit the subrecipient location to go over the on-site monitoring tool interview questions. Bring all pre-visit data, copies of contracts, payments, and other documentation needed. Have the set of interview questions prepared to cover financial and programmatic areas of the agreement. Topics could include:
 - Discuss the uniform guidance requirements of programmatic and financial performance.
 - Discuss budget development and oversight.
 - Interview key personnel about the segregation of duties, internal control procedures, and conflict of interest.
 - Discuss answers provided by the subrecipient in the pre-visit data collection and clarification or additional explanation of areas that were unclear.
 - Discuss travel policy, reimbursement process, and limits on per diem and lodging.
 - Discuss procurement policies, inventory procedures, equipment leases, and handling of capital assets.
 - Discuss programmatic performance and how objectives are developed and monitored to ensure they are being met.
 - Discuss areas with the subrecipient that could be deemed as high risk and ask them their plan to mitigate risk.
 - Discuss special conditions of the award and any situations unique to the federal funding.
 - Offer best practices to improve the subrecipient’s performance or financial management.
 - Offer guidance and solutions to issues of non-compliance with federal requirements or the terms and conditions of the subrecipient agreement.
 - Request additional documentation or follow-up, if needed, to complete the review.
- **Exit Meeting** – An exit meeting should be conducted after the conclusion of the final analysis of all on-site reviews and for desk reviews with non-compliance findings. The purpose of the meeting is to discuss any areas of concerns, findings, and promising practices found during the review and to allow the subrecipient the opportunity to provide any clarity or additional information that may result in a finding no longer being a finding. The exit meeting should also outline the plan of action including when the Review Report will be sent, and any additional monitoring needed.

Monitoring Reports

The DLR reviewer writes a report no later than 45 days after the review. The report summarizes any findings, areas of concerns and promising practices found.

Finding and required action – Findings are identified as issues or practices not compliant with the federal laws, regulations, and guidance, and state policies and procedures. Each finding will have a corresponding required action identifying what DLR shall see as action taken or documentation provided for a finding to be resolved.

Area of concern and suggestion – Areas of concern are issues, policies, or practices observed during the review that negatively impact the ability to effectively manage the grant or provide services to participants. They may also be red flags or risk areas that, if not corrected, could lead to an area of non-compliance in future monitoring reviews. Each area of concern will have a corresponding suggestion for improving the issue or practice. DLR job service offices and sub-recipients are encouraged, but not required, to implement the suggested action for improving the issue or practice.

Positive Practice – Positive practices are practices or outcomes identified during the review that are sufficiently effective or innovative to warrant highlighting in the report and may be shared with other job service offices.

The report should include:

- Date of Letter
- Scope of Review
- Findings and include: Condition (what is wrong), cause, criteria (legal authority) and required corrective action –
- Areas of Concerns
- Promising Practices
- Inform subrecipient if additional monitoring is needed and plan of action.
- List, if any, additional conditions need to be imposed.

If there are findings requiring action from the subrecipient, they will need to respond no later than 45 days of the Review Report with a response letter describing course of action to resolve findings. Appendix III provides a sample response template.

Subsequent DLR reports are issued when the Subrecipient response did not resolve all findings. Further explanation of how to resolve findings may be needed. A disagreement with a finding may exist. The reviewer should communicate with the subrecipient to ensure compliance measures are met. The second report must be issued 30 days from the date of the subrecipient's response.

DLR will send a conclusion letter no later than 30 days from receiving a subrecipient's response letter that resolves all findings. Regardless of risk, all subrecipients shall receive training and technical assistance on any deficiencies identified. If there are no findings in a review, the conclusion letter is part of the review report.

Final Determination

If the reviewer and the subrecipient cannot come to an agreement on resolving any of the findings after 180 days of the initial report was issued, the reviewer will submit a final determination of the review stating it was unresolved to the subrecipient under review including the appeal process. A copy will be sent to the Workforce Development Council Board (WDC). After the conclusion of the informal resolution period, the reviewer shall issue the following final determination:

- As appropriate, indicate efforts to informally resolve matters contained in the initial determination have either been successful or unsuccessful;
- Lists those matters upon which the parties continue to disagree;
- Lists any modifications to the factual findings and conclusions set forth in the initial determination;
- Lists any sanctions and required corrective actions; and
- Sets forth any appeal rights.

Sanctions for Noncompliance

If a subrecipient fails to resolve a noncompliance finding, DLR can impose additional conditions in accordance with 2 CFR 200.207. If the DLR determines noncompliance cannot be remedied by imposing additional conditions, DLR may take one or more of the following actions in accordance with 2 CFR 200.338:

- Temporarily withhold cash payments pending correction of the deficiency by the subrecipient.
- Disallow (deny both use of funds and any applicable matching credit) all or part of the cost of the activity or action not in compliance.
- Wholly or partly suspend or terminate the Federal award.
- Initiate suspension or debarment proceedings.
- Withhold further Federal awards for the project or program.
- Take other remedies that may be legally available.

Appeal Process

If a Subrecipient disagrees with the Final Determination letter, they must appeal in writing to the WDC requesting a hearing within 30 days of the date of the final determination. The appeal letter must identify the issue(s) in dispute and must contain a full statement of the subrecipient's position with respect to such issue(s) and the pertinent facts and reasons in support of their position. In addition to the required written statement, the subrecipient must also provide copies of any documents supporting its claim. A copy of the request must also be sent the SD DLR reviewer who signed the final determination. Those portions of the final determination not specified for review shall be considered resolved and not subject to further review.

When no timely request for a hearing is made, the final determination shall constitute final action. The request for a hearing shall be accompanied with a copy of the final determination, if issued. The WDC will review the appeal letter and determine whether the dispute is reviewable and will promptly notify the subrecipient and the reviewer responsible for the final determination of the decision.

If the WDC determines the dispute is reviewable, a meeting will be set up to allow both parties to discuss the pertinent issues of the dispute and provide any additional statements and documentation not provided in the appeal letter. Based on the review, the WDC will prepare a written decision to send to the subrecipient. The decision made by the WDC shall be final.

CLOSEOUT

Subrecipients have 60 days within the end date of the grant agreement to submit costs for reimbursement. Any requests for reimbursement after 60 days requires prior written approval by the Division of Administrative Services Director to approve for reimbursement. No additional expenses may be incurred on the grant agreement after the end date unless a grant amendment is approved which extends the end date.

Subrecipients must also submit final program data to the appropriate Division within 60 days of the grant agreement end date. Any costs incurred by the subrecipient ***after the end date*** for the preparation and submission of documentation to DLR cannot be reimbursed by this grant agreement unless a grant amendment is approved. Cost incurred by the subrecipient prior to the end date may be reimbursed.

At the conclusion of the grant, the program specialist will send a closeout letter to the subrecipient. The closeout letter is sent after the final invoices have been received and processed, and the final reporting has been received. This is official notification of the conclusion of the grant.