

# Today's Topics Overview and update on the Uniform Grant Guidance (UG) and important dates Subrecipient monitoring and risk assessment Procurement issues New ethical requirements New audit requirements Protecting and promoting the health and safety of the people of Wisconsin

# Important Dates • December 26, 2013 – Uniform Grant Guidance was issued by the Office of Management and Budget (OMB) • December 19, 2014 – OMB and 28 federal agencies issued a joint interim final rule providing implementation guidance • Compliance is mandatory for federal agencies only Protecting and premoting the health and safety of the people of Wisconsin

# Subrecipient Overview More stringent requirements for subrecipient monitoring Impacts DHS and county relationships Impacts county relationships with their subrecipients. Protecting and promoting the health and safety of the people of Wisconsin

	Examples of Expanded Monitoring
	<ul> <li>Requiring a consistent practice to distinguish a subrecipient from a contractor</li> </ul>
	<ul> <li>Identifying or negotiating an appropriate indirect cost rate at the time of award</li> </ul>
	<ul> <li>Ensuring "flow-down" of new requirements</li> </ul>
	Evaluating subrecipient risk
	<ul> <li>Imposing remedies for noncompliance</li> </ul>
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### Subrecipient Monitoring Risk Assessment Monitoring plan must ensure that the subaward: - Is used only for authorized purposes - Is in compliance with federal statutes, regulations and subaward terms and conditions - Achieves its performance goals - Considers risk of subrecipient noncompliance

### **Subrecipient Monitoring** Risk Assessment Risk assessment is based on: • Prior experience with similar subawards · Previous audit results • Significant changes in personnel or systems · Extent and results of federal awarding agency monitoring Protecting and promoting the health and safety of the people of Wisconsin **Subrecipient Monitoring Monitoring Plan** Minimum monitoring activities must include: - Reviewing financials and programmatic reports - Conducting on-site reviews and audits based on risk assessment - Conducting follow-up reviews to ensure timely completion of corrective actions required to address deficiencies - Issuing a management decision for audit findings - Verifying that each subrecipient receives audits Protecting and promoting the health and safety of the people of Wisc

### Subrecipient Monitoring Additional Considerations

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Based on monitoring activities, subrecipients should:

- Provide training and technical assistance
- Determine if on-site reviews necessitate adjustments to own records
- Consider taking enforcement action against noncompliant subrecipients

## Subrecipient Monitoring Additional Enforcement Action If non-compliance cannot be remedied, consider more severe action, such as: - Applying temporary cash withholds - Disallowing all or part of the cost of the activity - Suspending or terminating the subaward - Recommending the federal agency initiate suspension or debarment proceedings - Withhold future awards - Pursue other legal remedies Protecting and promoting the health and safety of the people of Wisconsin

### Subrecipient Monitoring General Best Practices Subrecipient monitoring should include: Informing the subrecipient of pertinent information Ensuring that subrecipients are receiving audits when necessary Reviewing financial and programmatic reports Reviewing financial and programmatic reports Perform an on-site visit to review financial and programmatic records and observe operations Perform desk reviews for allowable use of funds

## Subrecipient Monitoring General Best Practices • Establishing a tracking system to ensure timely submission of required reporting • Having a second party within your organization review the adequacy of subrecipient monitoring for all programs • Documenting everything!

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# Procurement Issues subrecipient or Contractor? Subrecipient - Determines eligibility - Has performance objectives - Has responsibility for programmatic decisions Protecting and promoting the health and safety of the people of Wisconsin

	Procurement Issues Subrecipient or Contractor?
	Contractor
	<ul> <li>Provides goods and services as a normal part of business</li> </ul>
	<ul> <li>Provides similar goods and services to many purchasers</li> </ul>
	<ul> <li>Operates in a competitive environment</li> </ul>
	<ul> <li>Goods and services are ancillary to the operation of the federal program</li> </ul>
	<ul> <li>Is not subject to compliance requirements</li> </ul>
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### Procurement Issues Subrecipient or Contractor? • Must make case-by-case determinations • If determined to be a subrecipient, there are additional requirements to be met: - Information to be provided - Requirements imposed - Indirect cost rate or de minimis rate - Access to records - Monitoring, including audits

## Procurement Issues Subrecipient or Contractor? Some key differences - New guidance applies to grants, not contractor relationships - Audits for contractors (purchase of service) is still required by DHS statutes - Cost guidelines do not apply to contractors - Can still require adherence through contract language Protecting and promoting the health and safety of the people of Wisconsin

Procurement Issues	Ž
Best Practices	_



- All contract actions should be maintained in the contract file (solicitations, evaluations, award decisions)
  - Keep documents from unsuccessful offerors
- Keep all modifications within the original scope
- Document everything!

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### New Ethical Requirements Creating an Ethical Infrastructure



- Organizations should consider:
  - Top level attention
    - Policy directives, letters to staff
  - Policy and procedure changes
    - Policy requirements, agreement provisions
  - Education
    - Communication, training
  - Ongoing examination, oversight and enforcement
    - Compliance/Ethics officer, internal audit

### New Ethical Requirements Creating an Ethical Infrastructure



- · No one-size fits all approach
- · What an organization does depends on
  - Organizational structure
  - Size of the organization
  - Mission and philosophy for attaining it
- Thoughtful, reasonable approach
- Consider documenting major decisions
- Remain open and flexible



### **Conflicts of Interest**

- Agencies can still establish their own conflict of interest policies
- Non-federal agencies must report any COI to an awarding agency
  - Agencies must assess COIs as part of their risk assessments
- Non-federal agencies must report organizational conflicts of interest

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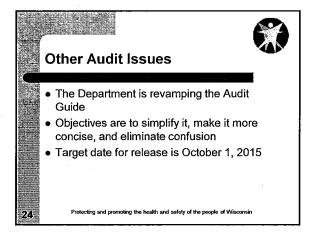


### **Mandatory Disclosure**

- § 200.113 requires organizations to disclose in a timely manner "all violations of criminal law involving fraud, bribery, or gratuity violations potentially affecting the federal award"
- Does not apply to civil acts
- Failure to report can result in suspension or debarment

# Failure to Address Ethical Issues Failure to implement processes to account for the new rules could result in: Disallowance of funds Suspension of grant Grant termination Civil penalties Criminal penalties Administrative action (suspension, debarment) Protecting and promoting the health and safety of the people of Wisconsin

# New Audit Requirements • Threshold requiring a Single Audit has been raised from \$500,000 to \$750,000 in federal funding • Threshold applies to subrecipients, not contractors • Also does not apply to for-profit agencies • Can still require audits and set compliance standards by contract Protecting and promoting the health and safety of the people of Wisconsin



# Implementation Advice • Look at policies and procedures and what you are currently doing • Identify areas that may need improvement - Procurement, subrecipient monitoring, ethics • Design and develop required policies and procedures • Bring your agency into compliance Protecting and promoting the health and safety of the people of Wisconsin

# Questions? Contact Information: Barbara A. Loescher, CIA Chief, Internal Audit Section Office of the Inspector General Department of Health Services (608) 267-6773 BarbaraA.Loescher@dhs.wisconsin.gov Protecting and promoting the health and safety of the people of Wisconsin