

Policy: Subgrantee Identification and Monitoring	Category: Pre-Award, Planning and Budgeting	Number: GP0600
	() Complete Revision (X) Partial Revision () New	Supersedes: 7/1/2015

Policy Statement

The School District of Philadelphia will identify and monitor subgrantees of federal awards.

Reason for Policy

In accordance with *2 CFR Subpart D, Part 200.330, 200.331 and 200.332*, along with 2 CFR Subpart F - Audit Requirements), the School District of Philadelphia is responsible for the programmatic and financial monitoring of its federal award subgrantees. These guidelines and procedures are provided to assist District employees in properly identifying subgrantees and ensuring that subgrantees conduct their portions of federal projects in compliance with laws, regulations, and terms and conditions of grants/contracts, and that project costs incurred by subgrantees are allowable, reasonable, and allocable.

Policy Requirements

The identification and monitoring of federal subgrantees is a District *central office* function; no school-based personnel shall have the authority to make a subgrant of federal funds, except under the direct supervision/guidance of a central office Grant Program Manager (GPM). Furthermore, the District will only designate eligible individuals or entities as subgrantees and will do so in accordance with District policy *GP0500 Participant and Subgrantee Eligibility*. In addition, the District will ensure that a potential subgrantee has not been barred from eligibility by complying with the policy *GP1800 Suspended, Disqualified or Debarred Contractors to be Paid with Grant Funds*.

For purposes of classification, the terms subrecipient and subgrantee are synonymous. The District shall identify subgrantees in accordance with the guidance from *2 CFR, Subpart D, 200.330 Subrecipient and Contractor Determination*. The accurate classification of subgrantees and contractors is critical to a program’s success and integrity. OMB requires subgrantees (other than for-profit subgrantees) that meet established expenditure thresholds to obtain a Single Audit. A Single Audit includes a financial audit as well as compliance testing. While for-profit subgrantees are exempt from Single Audit requirements, they are not exempt from compliance requirements or from other audit or monitoring requirements that a program statute or the resulting agreement requires in order to verify the for-profit subgrantee’s compliance with applicable program requirements.

Contractors, on the other hand, are generally not subject to the same level of scrutiny or requirements. The higher level of scrutiny given to subgrantees reflects the significance of their role to carry out a program, as opposed to contractors that support the program but generally do not make decisions or take actions that impact a program’s overall success or failure. Therefore, program compliance requirements are generally not passed through to contractors; however, if a contractor transaction is structured so as to make the contractor responsible for program compliance, the contractor’s records must be reviewed to verify compliance.

It is important that an accurate subgrantee / contractor classification be made early in the purchasing process. Early determination facilitates the request and consideration of appropriate information during the selection process, and impacts whether the resulting agreement includes appropriate terms and conditions that require compliance with program requirements. The responsibilities contracted to an organization ultimately affect the level of oversight that needs to occur by the awarding entity in order to best manage risks that impact a program's integrity and overall success.

The following narrative expands on the guidance provided the Uniformed Grant Guidance by including examples that further describe each characteristic. As with the characteristics identified by OMB, the examples provided here are not intended to replace the need for professional judgment and separate consideration of each arrangement on its own merits.

The subgrantee:

1. Determines who is eligible to receive financial assistance, and which specific type of federal assistance is to be distributed. For example:
 - a. Organization determines whether a potential customer meets a program's eligibility requirements for assistance under that program.
2. Has its performance measured against whether it meets the objectives of the program. For example:
 - a. Awarding entity holds the organization responsible for meeting performance targets that are tied to program objectives.
 - b. Awarding entity holds the organization responsible for meeting expenditure targets to maximize the use of program funding.
 - c. Awarding entity requires organization to submit regular oral or written progress reports and/or explanations of variance relating to program objectives and/or fund maximization.
 - d. Awarding entity may sanction the organization if program objectives are not met.
 - e. Organization must submit a comprehensive closeout package at the end of the agreement.
3. Has responsibility for programmatic decision making. For example:
 - a. Organization has latitude to make decisions within terms of agreement.
 - b. Organization makes policy decisions governing how it carries out a program.
 - c. Organization makes operational decisions governing how it carries out a program.
 - d. Organization makes decisions regarding the appropriate assistance for a particular customer.
4. Is responsible for adherence to applicable Federal program requirements specified in the Federal award.
5. Uses the funds to carry out a program of the organization as compared to providing goods or services for a program of the awarding entity. For example:
 - a. Organization performs all or a portion of the scope of work or objectives of the award received by the awarding entity.
 - b. Organization's role requires more than dealing, distributing or selling goods or services that support a program.
 - c. Awarding entity identifies the organization's programmatic involvement as a separate scope of work and budget that must be approved by the awarding entity.

The contractor:

1. Provides the goods and services within normal business operations. For example:
 - a. Organization exists for the purpose of providing particular goods or services.
 - b. Organization receives little, if any, instruction from the awarding entity as to how the organization goes about producing the goods or services.
 - c. Organization generally receives payment after delivery of a particular good or service.
 - d. Organization invoices awarding entity in the organization's normal way and is not required to submit a comprehensive closeout package at the end of the agreement.
 - e. Organization assumes the risk if cost of performance increases or requires more time than expected.
 - f. Organization has its performance measured against whether it meets specific deliverables, rather than a program's performance outcomes.
2. Provides similar goods or services to many different entities. For example:
 - a. Organization provides similar goods or services to a number of entities in addition to the awarding entity.
 - b. Services provided are of a repetitive nature.
 - c. Goods provided are commonly available.
3. Operates in a competitive environment. For example:
 - a. Organization competes with other organizations to provide a similar good or service.
4. Provides goods and services that are ancillary to the operation of the program. For example:
 - a. Organization aids or supports the program in a subsidiary capacity.
 - b. Organization provides a good or service (in a manner that does not create a subgrantee relationship) which enables the awarding entity to carry out a program.
 - c. Organization provides a particular good or service that enables the awarding entity to operate, e.g. office supplies, janitorial services, equipment, staff development, printing, travel, etc.
5. Is not subject to compliance requirements of the Federal program as a result of the agreement, though similar requirements may apply for other reasons.

The substance of the relationship is more important than the form. "Substance" refers to the characteristics of the arrangement and whether those characteristics are more indicative of a subgrantee or contractor relationship. "Form" refers to the type of agreement used. The characteristics of the relationship must always be examined to determine whether the arrangement as a whole has qualities that are more indicative of a subgrantee or contractor relationship.

Determinations about whether an organization is a subgrantee or contractor are not always straightforward. For example, no single factor will alone dictate the existence of one relationship or the other in all cases. Similarly, an organization need not possess all of the subgrantee characteristics above in order to be a subgrantee, and may in fact possess some characteristics of both a contractor and subgrantee under the same agreement. Therefore, in each case, the determination of whether a particular entity is a subgrantee or contractor requires professional consideration of the preponderance of facts and evidence of a particular agreement against the definition and guidelines set forth by 2 CFR Subpart D, Part 200.330.

As a general rule, GPMs will use long-form contracts (as opposed to Limited Contract forms) as the vehicle for awarding subgrants and specifying compliance/monitoring requirements attached thereto. When generating long-form contracts to be funded with federal grant dollars, GPMs will carefully consider whether the agreement constitutes a subgrant award (see Procedure GP600.1). The Grant Compliance Office (GCO) will review GPM determinations when reviewing federal grant-funded contracts for compliance. GCO representatives who participate on the Limited Contract Review Committee will also review limited contracts to ensure that no agreements that should have been characterized as subgrants are processed as limited contracts.

When the District passes federal program funds to subgrantees, the GPM of that program is responsible performing the following tasks:

1. Notify each subgrantee of the federal subawards made by informing the subgrantee of the CFDA title and number, award name, award year, and name of the federal agency from which the funds originate. If some of this information is not available, the GPM shall provide the best information available to the subgrantee in order to describe the federal award.
2. Advise subgrantees of requirements imposed on them by federal laws, regulations, and the provisions of contracts or grant agreements as well as any supplemental requirements imposed - District policies and procedures.
3. Develop a written compliance monitoring plan for each subaward utilizing the District's *Subgrantee Monitoring Plan* template in consultation with the GCO; and share that monitoring plan with each subawardee before program services begin.
4. Monitor the activities of subgrantees in accordance with the written Subgrantee Monitoring Plan as necessary to ensure that federal awards are used for authorized purposes in compliance with laws, regulations, and terms and conditions of the grant/contract, as well as to ensure performance goals, are achieved.
5. Ensure that nonprofit subgrantees expending \$750,000 or more in federal awards during the subgrantee's fiscal year have met the OMB Audit Requirements (2 CFR, Subpart F) for that fiscal year.
6. Issue a management decision on audit findings within six months after receipt of the subgrantee's audit report and ensure that the subgrantee takes appropriate and timely corrective action.
7. Consider whether subgrantee audits necessitate adjustment of the pass-through entity's own records.
8. Require each subgrantee to permit the pass-through entity and auditors to have access to the records and financial statements as necessary for the pass-through entity to comply with this part.

If subgrantees do not comply with the rules and regulations imposed upon them by the Federal, State or local governments or the District, they risk being barred from future award opportunities and cancellation of their current contract for non-performance.

Additional Information Regarding Non-Federal Funds as Matching Contributions for Federal Programs

Many federal guidelines applicable to recipients of federal subgrant awards are also applicable to agencies receiving non-federal funds to implement programs when the programs support a federal cost objective and the non-federal funds are identified as matching contributions to a federal program. (Generally speaking, the Cost Principals articulated in the Uniform Grant Guidance (2 CFR) would apply, though the audit requirements stipulated in 2 CFR Subpart F would NOT apply.) When the District makes an award of non-federal funds to an agency whose efforts are considered a matching contribution to one of the District's federal awards (*see GP 0300 "Cost Sharing and Matching"*), the District will monitor the agency to ensure compliance with all applicable federal rules. In such circumstances, the GPM is responsible for developing a monitoring plan based on the template used for federal subgrantee monitoring plans.

Responsibilities

GPMs will consult with the GCO at the onset of every federally funded project to identify all subgrantees that will be involved in the project, along with the specific budget and scope of work assigned to each subgrantee. GPMs shall have the primary responsibility for ensuring the subgrantee has not been barred from eligibility per policy *GP1800 Suspended, Disqualified or Debarred Contractors to be Paid with Grant Funds*, and monitoring all subgrantees identified on the federal awards they oversee. GPMs should notify subgrantees of all critical grant information. GPMs will be held accountable for the performance and compliance of the subgrantees under their program. If a determination is made that a relationship is that of a contractor, GPMs have the responsibility for complying with *GP1700 Contracted Services for Grant Funded Programs*.

GCO will consult with GPMs to ensure appropriate identification of subgrantees at the onset of every federally funded project, and Grant Compliance Monitors (GCMs) will support GPMs in the monitoring of subgrantees identified. GCMs will periodically (quarterly) review GPM records on subgrantee performance and compliance with applicable regulations to validate their appropriateness. GCO will provide training and support to GPMs to ensure that they are adequately prepared to fulfill their obligations under this policy.

Office of General Counsel (OGC) will ensure that the contracts identify subgrantees along with the subgrantee's responsibilities.

Procedures

- *GP0600.1 Identification of Subgrantees and Notifying Subgrantee of Responsibilities*
- *GP0600.2 Monitoring of Subgrantees*

Forms

- *Contractor vs. Subgrantee Comparison Form*
- *Subgrantee Monitoring Plan*

Definitions

CFDA is the Catalogue of Federal Domestic Assistance.

Funding agency is the source entity providing the program funds. The funding agency can be a governmental entity, a private entity or an individual.

Subaward is an award of financial assistance in the form of money, or property in lieu of money, made under a grant by a grantee to an eligible subgrantee.

Subgrantee/Subrecipient is a non-Federal entity that expends Federal awards received from a pass-through entity to carry out a Federal program, but does not include an individual that is a beneficiary of such a program. A subgrantee may also be a recipient of other Federal awards directly from a Federal awarding agency. Entities are subject to the auditing requirements described in 2 CFR Subpart F and monitoring requirements if they spend more than \$750,000 in federal awards during its fiscal year.

Contractor is a dealer, distributor, merchant, or other seller providing goods or services that are necessary for conducting a Federal program. These goods or services may be for an organization's own use or for the use of beneficiaries of the Federal program. Contractors are not subject to 2 CFR Subpart F audit or monitoring requirements. Contractors are not responsible for programmatic results.

For-profit subgrantee/Subrecipient is not subject to 2 CFR Subpart F. Nonetheless, for-profit subgrantees must comply with applicable program regulations.

Contacts

- *Office of Accounting Services and Audit Coordination*
- *Grant Compliance Office*
- *Office of General Counsel*

Frequently Asked Questions

Related Information

- *GP0500 Participant and Subgrantee Eligibility*
- *GP1700 Contracted Services for Grant Funded Programs*
- *GP1800 Suspended, Disqualified or Debarred Contractors to be Paid with Grant Funds*
- *2 CFR Subpart F (Audit Requirements)*

History

Amended:

- Amended 9/18/2012 to include references and instructions for the Subgrantee Monitoring Plan and to include subgrantee requirements and responsibilities for non-federal funds when used as a federal match.
- Amended on 4/20/2015 for consistency with the Uniform Grant Guidance, audit requirements, and other technical adjustments.
- Amended on 7/2/2018 for technical adjustments.

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