

Louisiana Department of Energy and Natural Resources

EFFECTIVE DATE: 5/1/2024



Subrecipient Monitoring Policy

1. SUBRECIPIENT MONITORING PROGRAM

A. Overview

The Louisiana Department of Energy and Natural Resources (LDENR) is responsible for monitoring the programmatic and financial activities of its subrecipients to ensure proper stewardship of federal and state funds. The following policy applies when LDENR serves as a pass-through entity as defined at 2 CFR 200.74 and provides a subaward to a subrecipient to carry out part of a Federal program. This policy addresses LDENR responsibilities and assists LDENR staff to ensure that, in addition to achieving performance goals, subrecipients comply with applicable federal laws and regulations, and with the provisions of each subaward agreement.

OMB Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (2 CFR 200) Uniform Guidance, specifically sections 200.330 and 200.331, requires pass-through entities to evaluate each subrecipient's risk of noncompliance in order to determine the appropriate monitoring level, monitor the activities of subrecipient organizations to ensure the subaward is in compliance with applicable Federal statutes and regulations and terms of the subaward, and verify that subrecipients are audited as required by Subpart F of the Uniform Guidance. This Subrecipient Monitoring Policy applies to all subawards issued under programs made to LDENR, without regard to the primary source of funding.

B. Purpose and Scope

The purpose of the Subrecipient Monitoring Program is to assist LDENR and its subrecipients in meeting performance goals and compliance requirements stipulated by the federal government as they relate to monitoring activities of subrecipient projects funded through federal grant programs.

This policy applies to significant processes that are related to the Subrecipient Monitoring Program. This includes, but is not limited to: performing a risk assessment, completing desk reviews, performing on-site monitoring (site visit), and maintaining ongoing communication with subrecipients. Monitoring activities are required for all subrecipients receiving funding through federal and state grant programs. However, the extent of monitoring activities will vary among subrecipients.

The monitoring process has three primary objectives:

- To gauge the overall program progress and effectiveness of the subrecipients, as applicable, in meeting the program objectives, goals and requirements articulated in the federal, state and local guidelines.
- To serve as a management tool to identify issues that may compromise program integrity, funding, and service delivery for corrective action and resolution.
- To serve as a technical assistance tool to identify areas in which to strengthen program capacity and quality of service delivery.

Monitoring is designed to make sure the programs are operating efficiently and effectively and that LDENR federal funds are being used appropriately. Monitoring may occasionally identify situations where certain activities or the absence of certain activities raise an area of concern or violate program or statutory requirements. A finding of deficiency is noted when there is evidence that a statute, regulation or requirement has been violated.

C. Policy

Information relevant to monitoring activities, including the process and results, should be documented. Monitoring efforts for each subrecipient should be captured and serves as evidence of the subrecipient monitoring performed for each program. Policies and procedures relevant to the subrecipient monitoring program should be considered part of the internal control structure for the federal grant business processes.

D. Methodology

LDENR's strategy includes the use of desk reviews and on site monitoring. During the desk reviews, LDENR will monitor the Subrecipient's Single Audit report on an annual basis to ensure compliance with federal regulations. On an annual basis the LDENR Undersecretary, in conjunction with the Program Managers will identify the entities to be monitored on-site based on the results of the risk assessments and prior issues identified.

E. Monitoring Roles and Responsibilities

Subrecipient monitoring is the responsibility of LDENR. LDENR will monitor subrecipients to ensure compliance with executed agreements, applicable state and federal laws and regulations, and project/program performance criteria.

2. RISK ASSESSMENT

A. Overview and Purpose

A risk assessment is performed to determine the type and level of monitoring that should be performed for each subrecipient. The objective of a risk assessment is to guide the level of monitoring for each subrecipient that will yield enough confidence that the subrecipient is in compliance with federal requirements. Subrecipients ranked as higher risk should yield additional monitoring procedures performed. Monitoring procedures range from desk reviews to extensive site visits.

B. Evaluation of Risk

LDENR shall evaluate each subrecipient's risk (low, moderate, high) of noncompliance with law, regulations and the terms and conditions of the subaward to determine the appropriate monitoring practices. (2 CFR 200.331)

Risk will be evaluated on the following factors:

1. Prior experience with the same or similar awards;
2. Results of previous audits;
3. New personnel or new or substantially changed financial systems;
4. Extent and results of other Federal awarding agency monitoring;

Based on the results of the risk evaluation, LDENR may consider imposing specific conditions on implementation of the subaward, in accordance with applicable laws and regulations. (2 CFR 200.207, 200.331)

C. Risk Level

Low Risk – As a low risk subrecipient, limited monitoring activities are necessary. Low risk subrecipients requires a desk review and ongoing communication.

Moderate Risk – As a moderate risk subrecipient, some monitoring activities are necessary. All moderate risk subrecipients should receive a desk review and ongoing communication, and a sample percentage should be selected for site visits.

High Risk – As a high risk subrecipient, several types of monitoring activities may be necessary. All high risk subrecipients should receive a desk review and ongoing communication, and a sample percentage should be selected for site visits. Subrecipients with risk factors in financial, operational, and compliance should become the first priority for site visits and close monitoring activities.

3. MONITORING

A. Overview

Monitoring can be accomplished through regular communication and technical assistance with subrecipients, and appropriate inquiries concerning program activities; performing subrecipient site visits to examine financial and programmatic records and observe operations; and reviewing progress reports, financial reports and data quality.

B. Monitoring Types

Each program has a monitoring strategy and follows state and federal guidelines. LDENR staff will perform either a desk and/or on-site review.

1. Desk Review

A desk review is a monitoring activity implemented for all subrecipients subject to the 2 CFR Subpart F audit requirements regardless of their risk category (low/moderate/high). Desk reviews are composed of a review of the subrecipient's single audit reports for their most current fiscal year completed.

For fiscal years beginning on or after December 26, 2014: The Single audit is a requirement to procure an audit for subrecipients expending more than \$750,000 (audit threshold) per year in federal funds, in total of all federal grant programs (Title 2 C.F.R. Subpart F (200.500)). Subrecipients that expended less than the applicable audit threshold are exempt from Single audit requirements for that year. However, the subrecipient must keep records available for review.

If the subrecipient indicates that they are subject to the Single audit requirement, then the Subrecipient is instructed to submit a copy of their completed Single audit report to LDENR within nine months of the subrecipient's year end. If the subrecipient indicates that they are not subject to the audit requirement, then the subrecipient is instructed to provide an explanation.

2. On-Site Monitoring Visits

LDENR provides site visit monitoring to ascertain if internal control over financial management and accounting systems are adequate to account for program funds and to determine if the subrecipient is in compliance with the requirements of state and/or federal programs, applicable laws and regulations.

LDENR monitors the following areas, which include but are not limited to:

A	General Control Environment	To assess whether the subrecipient has a defined organizational structure and assignment of authority and responsibility to promote a sound control environment within the organization.
B	Expenditures	To assess the subrecipient's expenditure approval process and determine if approvals are performed by individuals with the knowledge and background of program and federal requirements.
C	Accounting	To assess the subrecipient's expenditure approval process and determine if approvals are performed by individuals with the knowledge and background of program and federal requirements.
D	Reporting and Project Progress	To review the overall progress of the subrecipient's projects/programs and to assess the accuracy of the project status as indicated in the reports.
E	Equipment & Inventory	To determine if controls are in place to protect assets acquired with federal funds.
F	Force Account Labor & Administration Costs	To assess how employee time for force account and direct administrative costs are charged to the project(s) is accounted for and segregated from non-project related activities and responsibilities.
G	Procurement / Contracts	To provide reasonable assurance the procurement/contracts of goods and services are made in compliance with federal, state, and local procurement requirements.
H	Sub-grantee Monitoring	To determine if the subrecipient passed project/program funds through to other organizations (sub grantees) and to assess the approach and methodology used to monitor those sub grantees for compliance with federal program requirements.
I	Records Retention	To determine if the subrecipient's maintains financial records, supporting documents, statistical records, and all other records pertinent to the applicable program is in accordance with federal requirements.
J	UEI Number	To determine if the subrecipient has an active Unique Entity ID (UEI) number and the number is registered with the Federal System for Award Management (sams.gov) in compliance with federal requirements.

Regularly Scheduled Site Visit

Subrecipients are selected for a site visit based on the results of the risk assessment and elapsed time since their last site visit. Subrecipients can expect to be monitored programmatically and fiscally at least once every three to five years. Site visits are an effective way to validate desk review results, identify and/or research discrepancies, and more closely monitor program/grants.

Results of a Site Visit:

A copy of the monitoring report will be sent to the subrecipient within thirty (30) days after the monitoring is completed. The report will include the conclusions of the monitoring and any corrective actions required.

If corrective action(s) are required, the subrecipient will have at least thirty (30) days to complete and submit the corrective action(s) to LDENR for review. When the corrective action(s) have been reviewed and approved, an updated copy of the monitoring report will be sent to the

subrecipient, within thirty (30) days, detailing the corrective action(s) approval and subsequent compliance with financial and programmatic requirements.

If the corrective action(s) are not submitted and approved within the specified timeframes, all reimbursements for the subrecipient will be held until the corrective action(s) have been submitted and approved as required.

If the subrecipient finds they need additional time to complete the required corrective action, an extension should be requested.

4. TECHNICAL ASSISTANCE

Technical assistance is to aid the monitored entity in their day-to-day compliance with federal, state and program requirements as they administer their individual programs. Some examples of technical assistance may include:

- Verbal or written advice;
- Face to face meetings;
- Formal training; and/or,
- Sample documentation and guidance.

5. REMEDIES FOR SUBRECIPIENT NON-COMPLIANCE

If a subrecipient significantly fails to comply with the terms and conditions of the federal, state, and program requirements, LDENR may take one or more of the following actions, as appropriate per the circumstance:

- Withholding of disbursements or future funding;
- Disallowance of cost;
- Suspension / termination of award;
- Other actions as deemed necessary

6. QUESTIONS

Questions regarding this policy should be directed to DENR's Fiscal Department.

AUTHORIZATION:

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