



NC DEPARTMENT OF  
**HEALTH AND  
HUMAN SERVICES**

# **Subrecipient Monitoring Plan**

## **Division of Child and Family Well-Being**

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## Background

In order to carry out its mission that all North Carolina children are healthy and thrive in safe, stable and nurturing families, schools and communities, the NCDHHS, Division of Child and Family Well-Being (DCFW) provides financial assistance to a number of public, non-profit, for profit, and private agencies and organizations, including universities and local management entities-managed care organizations. The services provided on behalf of DCFW are designed to enhance how children and families access programs that support their well-being, which allows more families to access programs across mental, social, and health services. The organizations accepting financial assistance are known as subrecipients.

DCFW receives major sources of funding from federal grants such as the Maternal Child Health Block Grant, the Community Mental Health Block Grant, as well as numerous other federal grants (MIECHV / Newborn Screening, etc.). The Division also receives state funds appropriated by the General Assembly of North Carolina.

The purpose of this plan and its guidelines is to outline how DCFW, as a pass-through entity, will comply with its responsibilities under 2 CFR Part 200 (Uniform Administrative Requirements, Cost Principles, and Audit Requirements), G.S. § 143C-6-22 (Use of State funds by non-State entities) and G.S. § 143C-6-23 (State grant funds: administration; oversight and reporting requirements) to monitor the disbursement and use of federal and state dollars for the intended purpose according to the compliance requirements of each funding source and the stipulations of the contract or performance agreement with the subrecipient.

The Federal Office of Management and Budget (OMB) 2 CFR Part 200 requires passthrough entities to monitor their subrecipients' use of federal funds. This is to ensure compliance with federal program laws and regulations and that provisions of contracts or grant agreements and performance goals are achieved. In addition, N.C. G.S. § 143C-6-23 requires the category of financial assistance contracts funded with State dollars and other dollars that flow through the appropriation process to be monitored as subrecipients.

## Programs Covered

This document describes the protocol DCFW utilizes in carrying out its subrecipient monitoring responsibilities for the following programs within the Division, including the following:

- Maternal and Child Health Services Block Grant to the States (MCHBG)
- Community Mental Health Services Block Grant (MHBG)
- Child and Adult Care Food Program Grant (CACFP)
- Special Supplemental Nutrition Program for Women, Infants and Children (WIC)
- USDA Food and Nutrition Services (FNS)
- Individuals with Disabilities Education Act (IDEA)
- Maternal, Infant, and Early Childhood Home Visiting (MIECHV)
- Early Hearing Detection and Intervention (EHDI)

This plan serves as the source document for implementing the Division's subrecipient monitoring process and is effective for SFY23-24 and is applicable to all units and individuals within the Division that have a role in subrecipient monitoring as identified in this plan. This plan continues into the next fiscal year and will be updated and modified to include new areas of focus and enhancements approved by division management for implementation in SFY24-25.

The Division's Lead Monitor is Sarah Grimsrud, Assistant Director of Finance for DCFW. The Lead Monitor provides training/technical assistance to the programmatic subrecipient monitors that actually conduct the risk assessments and coordinate the monitoring and implementation of subrecipient monitoring activities within the division of the various funded subrecipients.

## Risk Assessment

Assessing a subrecipient's risk is vital to effective monitoring efforts of DCFW and is the initial step of the division's monitoring process. According to Federal Uniform Guidance 2 CFR 200.332b, DCFW must " evaluate each subrecipient's risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining the appropriate subrecipient monitoring. The risk assessment lays the framework for the methodology that will be used to monitor DCFW grantee organizations.

The risk assessment of each contract will be completed by its lead monitor (i.e., the contract administrator) in consultation as needed with the lead fiscal monitor and program integrity team. A risk assessment is conducted annually prior to the execution of DCFW financial assistance contracts that are awarded and renewed. Only one risk assessment is required for subrecipients with multiple financial assistance contracts with DCFW. These circumstances will require collaboration between contract administrators assigned to the contracts and the lead fiscal monitor/program integrity team to complete the assessment.

The Risk Assessment Tool is divided into the following domains and determines if the subrecipient is high, medium, or low risk based on scoring system:

- **Agency leadership stability of agency as a whole.** This domain of risk assessment helps in reviewing the experience of the leadership of an entity. If they have no experience then the entity will be assigned high risk, if they have some experience which is 0-1 years then the entity will be assigned medium risk and if they have 1 or more years of experience then the entity will be assigned low risk.
- **Agency's program staff stability and qualifications for the program:** This domain of risk assessment focuses on the staff that will be working on the project. If they have no staff or new staff then the entity is assigned high risk, if they have either one staff in key position as new then it will be medium risk and if there is no change in staff then the entity will be assigned low risk.
- **Agency past performance in meeting program objectives.** This domain of risk assessment assesses the past performance of the entity. The entity will be assigned low risk if they have met the program objectives in the past, if it is their first year of the funding with the Division then the entity is assigned medium risk, and if the corrective action plan took the entity more than 30 days then the entity is assigned high risk.

- **Agency's audit status.** For this domain of risk assessment, the staff will review the single audit report. If there are no significant or repeat findings then the entity will be assigned low risk, if the entity has significant or repeat findings then the entity is assigned medium risk, if the entity has unresolved findings, then they are assigned high risk.
- **Agency's fiscal monitoring status.** This domain assesses the fiscal monitoring of the entity. If there are no monitoring findings for the past 2 years then the entity is assigned low risk, if there are repeat findings then the entity is assigned medium risk and if there are significant fiscal monitoring finding in the past two years of if the findings are not resolved then the entity is assigned high risk.
- **Agency's cash flow:** This domain assesses the cash flow or the financial stability of an entity. If the entity had sufficient funds to wait for reimbursement in the last two years then the entity is assigned low risk, if the entity was not able to make program related purchases due to las of funds then the entity is assigned medium risk and if the entity was not able to purchase equipment, process payroll, and was not able to spend funds on the allowable cost of the project then the entity would be assigned high risk.
- **Agency's reporting status for program:** This domain of risk assessment assessed the timeliness of program and fiscal reports. If the required reports are accurate and submitted in a timely manner, then the entity is assigned low risk. If the reports contain errors and are frequently late, then the entity is assigned medium risk. If the reports contain significant discrepancies and/or are not submitted, then the entity is assigned high risk.
- **Complexity of funding for entire agency:** This domain is designed to assess the complexity of funding, it can be multiple funding streams, complex outcomes or deliverables, whether the entity has complex objectives. If the entity funding/subaward is not complex in terms of allowable cost then the entity is assigned low risk, if the entity has complex funding terms of allowable expenditures, then the entity is considered medium risk and if the funding is very complex in terms of allowable expenditures, then the entity is assigned high risk.
- **Amount of funding to Agency for program:** This domain reviews the amount of the funding, if the entity receives equal to or less than \$25,000 then the entity is assigned low risk, if the entity receives funding from \$ 25,001-\$499,900, then medium risk is assigned to the entity and if the entity receives 500,000 then a high risk is assigned to the entity.
- **Agency's internal controls:** This domain is assessed through an internal control questionnaire or financial checklist. If the entity has no internal controls weaknesses, then low risk is assigned to the entity. If the entity has up to three internal controls weaknesses, then medium risk is assigned to the entity and if the entity has more than three internal controls weaknesses, then the entity is assigned high risk.

## Education

Education is an important aspect of providing support to subrecipients and ensuring they meet the deliverables of their projects, ensuring the subrecipient complies with all requirements and to prevent potential barriers of success. Education plays a vital role to both DCFW staff and subrecipients in the effective administering and utilization of grants. DCFW has a variety of ways of providing education to its subrecipients and internal staff.

Subrecipients are educated on their responsibilities to conform to the applicable laws and regulations, award, subaward terms and conditions, allowable use of public funds and reporting through various methods that may include the terms and conditions of the contract, one-on-one meetings with the contract administrator during development of the contract and sharing of information via emails.

The Lead Fiscal Monitor and program integrity team members (“compliance specialists”) are assigned to assist DCFW contract administrators and staff with their ongoing monitoring efforts.

Compliance Specialists provide annual training to DCFW program staff in the following areas:

- Monitoring plans
- Risk Assessment completion and evaluation.
- Use and development of monitoring tools.

The program integrity team will have quarterly meetings with contract administrators for updates on federal and state compliance requirements, monitoring updates and collaboration on ongoing monitoring strategies. In addition, the program integrity team will provide one on one training to new staff members, specialized training sessions upon request from program staff and technical monitoring guidance such as upcoming contract administrator staff on site visits as requested. The program integrity team will also assist with the determination for the need of and tracking corrective action.

## Technical Assistance

The need for technical assistance may be generated by the subrecipients or by the Division. If the subrecipient needs technical assistance or has any questions relating to the subaward then they can contact the contract administrators through phone and email. At times, a contract administrator may determine that a subrecipient requires technical assistance. This may be due to deficiencies found when monitoring contract implementation, new staff being hired, or guidance needed during routine monitoring. Technical assistance may be provided via face-to-face meetings (virtual or in person), emails, phone calls, example documents, reference materials, linkage to other resources. Technical assistance is also available to be provided by the DCFW Lead Fiscal Monitor and program integrity team.

Staff members will provide technical assistance in instances of non-compliance for agencies and can collaborate with contract administrators to provide technical assistance to subrecipients as needed.

## Monitoring Procedures

DCFW is mandated by Federal and State regulations to monitor a representative sample of grant funds awarded to subgrantees on an annual basis. The DCFW Lead Fiscal Monitor and program integrity team members are responsible for providing oversight and guidance on all monitoring activities of the Division. Monitoring oversight activities include ensuring the creation of and update to monitoring plans, review of subgrant monitoring reports, review of monitoring follow-up activity and creation of common subgrant monitoring policies and procedures and creating corrective action procedures for when deficiencies are identified.

Monitoring activities conducted must include programmatic and financial components. Documentation of these activities via progress reports, quarterly reports, onsite summary visit report, etc. will be stored on the DCFW shared drive and monitored for completion by the Lead Fiscal Monitor and program integrity team members of DCFW.

The monitoring activities of the division are performed in a variety of ways. Below is a list of the various monitoring activities employed by DCFW. Any applicable exceptions to the monitoring activities of DCFW are determined at the discretion of the Department and may include extenuating circumstances (e.g. Natural Disaster/Pandemic, State of Emergency, Merger, Secretary Assignment, or significant issues with Claims or General Ledger (GL) systems/software and/or availability of staffing and other resources). In instances of staff shortages that may interrupt monitoring activities, monitoring activities will be reassigned to qualified staff to ensure adherence to the policy.

### Monitoring – Definitions

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

**Desk Review (offsite) Monitoring:** Program and financial staff perform a remote review of financial and programmatic information, either together or separately. Desk Reviews may include contracts, agreements, and program metrics, as well as participant and program records, financial data, and policies and procedures of the subrecipients and LME/MCOs. Financial and programmatic data is reviewed by DCFW staff in their office and may consist of communication by e-mail, mail, teleconference, or video conference. Desk Reviews are determined by risk assessment and can occur monthly, quarter or annually.

**Progress Reports:** Reports completed that are used to evaluate progress in meeting program requirements and contractual obligations. Progress reports can be required monthly, quarterly, and semiannually. These reports are evaluated by program staff. The Division uses the quarterly reports as a tool to evaluate the subrecipient effectiveness in achieving contract performance measures and goals.

**Contract Reimbursement Requests (CRRs):** Financial reports that are compiled and submitted monthly by the subrecipient. The subrecipient CRR consists of the approved operating budget for the contract, current month's expenditures, year to date expenditures and the subrecipient's unexpended budget balance. The CRR is used by the Division to monitor subrecipient use of funds.

**Financial Status Reports (FSRs):** Financial reports that are compiled and submitted monthly by LME/MCOs. The FSR consists of the approved operating budget for the contract, current

month's expenditures, year-to-date expenditures and the subrecipient's unexpended budget balance. The LME/MCO FSR includes the Allocation Letter number, account code, approved budget, current month's expenditures, year to date expenditures and the LME/MCO's unexpended budget balance. The FSR is used by the Division to monitor subrecipient and LME/MCO use of funds.

**Onsite Monitoring:** DCFW program and financial staff perform an onsite review which includes a review of financial records and an analysis of financial and programmatic information, either together or separately, with key personnel of the subrecipient, in person or, at the location of the subrecipient.

## Monitoring Subrecipients

DCFW is required to ensure fiscal responsibility and programmatic compliance as well as periodic monitoring with non-profit entities in North Carolina who receive pass-through funding from DCFW. Funding sources can be from the Federal and State level and/or a combination of both and passed down to the non-profit contracting entity. All contracts entered into with DCFW that are deemed "Financial Assistance" will require some monitoring of expenditures during the course of the current fiscal year.

**Risk Assessment.** DCFW subrecipient's risk assessments will be conducted by the assigned Contract Administrator of the program. A Risk Assessment (RA) must be completed annually prior to the start of the contract period. The level of risk that results identifies the level of monitoring (reporting, frequency of virtual or on-site monitoring). Step-by-step instructions are included with the DCFW Subrecipient Monitoring Risk Assessment Tool. Subrecipients can be assessed High, Moderate and Low Risk. Once the risk level has been determined, the results of the risk assessment will be recorded on the monitoring log on the DCFW intranet shared drive. Completed Risk assessments will also be stored and maintained in the identified shared drive location for each individual contract.

The results of the risk assessment will be communicated to the subrecipient via email and the subrecipient will also receive a copy of its risk assessment results detailing the monitoring requirements and outlining the areas that determined the risk level. Subrecipients identified as High Risk will require at least two site visits during the fiscal year and monthly monitoring. Risk levels and monitoring requirements may be included in the contract agreement. Subrecipient's risk assessment will be reevaluated each year to determine if risk level needs to change. Subrecipient's can request a reassessment of risk after receiving the results of their risk assessment. These requests should be communicated to the Program Manager of the program in question for approval.

**Types of Monitoring.** The section below provides the various types of monitoring methods that will be used to monitor public, non-profit, for profit, and private agencies and organizations, including universities and local management entities-managed care organizations funded by DCFW. The monitoring performed will consist of both programmatic and fiscal, which is to be conducted by the assigned contract administrator. The contract administrators will store all documents related to the contract that they are assigned to.

**Monthly Monitoring.** Subrecipient monthly monitoring includes the following tasks:

- 1. Monthly documented contact with subrecipient**
  - A. Consists of telephone calls, emails, Teams calls, etc.
  - B. Purpose to ensure programmatic expectations are being met
  - C. Provide needed technical assistance
  
- 2. Monthly Desk reviews – required for all risk levels**
  - A. CRRs and FSRs Review**
    - 1) Reviewed by Contract Administrators
    - 2) Generally required to be submitted monthly for all risk levels
    - 3) Requires supporting documents for payment to be processed
    - 4) Reimbursement request cannot exceed the approved budget
    - 5) Reimbursement must be allowable under the terms of the contract agreement
    - 6) Monitored against the provisions of the contract and the approved budget
  
  - B. Monthly Programmatic Desk review – only required if subrecipient is high risk**
    - 1) Only required monthly if entity is high risk
    - 2) Program staff selects compliance measure to review monthly

**Quarterly Monitoring.** Monitoring requires ongoing monitoring of the subrecipient at least on a quarterly basis. This monitoring is generally for low and moderate risk grantees.

- 1. Subrecipient Progress Reports**
  - A. Submitted by subrecipient to document progress made towards contract deliverables.
  - B. Reviewed and approved by Contract administrator
  
- 2. Desk Reviews**
  - A. Can be programmatic or fiscal
  - B. Moderate Risk level requirement

Subrecipient assessed to be at **high-risk** will require at a minimum the following monitoring:

- Monthly documented contact with subrecipient to ensure programmatic expectations are being met
- Monthly Desk reviews
- Quarterly Contractor Progress reports
- Monthly review of Financial Status Reports (FSRs) expenditures and supporting documentation
- At least two on-site visits during fiscal year

Subrecipient assessed to be at **moderate risk** will require at a minimum the following monitoring:

- Monthly documented contact with subrecipient to ensure programmatic expectations are being met
- Quarterly Desk reviews
- Quarterly Contractor Progress reports
- Monthly review of Financial Status Reports (FSRs) expenditures and supporting documentation
- An on-site visit at least once every two years

Subrecipient assessed to be at **low risk** will require at a minimum the following monitoring:

- Quarterly documented contact with subrecipient to ensure programmatic expectations are being met
- Quarterly Contractor Progress reports
- Monthly review of Financial Status Reports (FSRs) expenditures and supporting documentation
- Semi-annual Desk reviews
- An on-site visit at least once every three years

**Onsite Monitoring.** Onsite monitoring determination generally will be determined during the first quarter of the fiscal year. Subrecipients assessed as high risk will receive at least two onsite monitoring visits. The first visit onsite visit of the year for a high-risk entity will occur within the first six months of the fiscal year. Additional subrecipients will be selected for at least one onsite review based on risk level, time since last onsite visit and funding.

1. Notification of Onsite Review
2. Review Performance Measures/Scope of Work: This refers to the deliverables that are in the subrecipient's contract. Depending on which deliverable is being reviewed, the contract administrator would choose the specific deliverable associated with the review. If reviewing more than one requirement, it is possible to review both areas.
3. Review sample of Financial Status Reports and supporting documentation
4. Complete Programmatic and Fiscal Sections of Monitoring Tool
5. Complete Monitoring Visit Summary Form
6. Follow-up on Corrective Measures

**Monitoring Documentation.** Non-compliance issues identified during onsite visits, special review, or the desk review, will be communicated by the assigned monitor in a monitoring report. The monitoring report will summarize the overall monitoring visit and identify the areas of non-compliance and include a plan of correction.

The Monitoring report will also include the following information:

- Subrecipient Name
- Date of Visit or Review
- Programs Reviewed
- Compliance/Performance Measure Reviewed
- Deficiency or Area of Non-compliance
- Required Action/Recommendation

Monitoring reports will be drafted, signed, and approved by designated DCFW staff and issued to subrecipient within 45 days of the onsite or desk review. The monitoring reports are communicated through email and are saved on the Divisions' SharePoint. The subrecipient will have 60 days to respond to the Monitoring report. Technical assistance will be provided to the subrecipient after deficiencies are identified as needed and during the duration of the non-compliance. An initial failure of the subrecipient to respond to the Monitoring report will result in escalation to the Program Manager/Supervisor and the Lead Fiscal Monitor and program integrity team. Additional correspondence will be issued to the subrecipient. The subrecipient will have 15 days after receiving correspondence to respond to the Monitoring report. In situations where the subrecipient fails to respond to all forms of correspondence, the DCFW Deputy Director will be made aware of the issue and determine additional enforcement options to take by the division. Additional enforcement actions may consist of enhanced technical assistance, additional site visits, temporary withhold cash and restrictive probationary status until compliance issues are resolved. Suspending of Funding for failure to correct monitoring review deficiencies must be approved by the DCFW Director. If Suspension of Funding is approved, DCFW Lead Fiscal Monitor and program integrity team will submit a request for suspension to the RMCC of the NCDHHS Office of Internal Audit. If subrecipient ultimately fails to correct deficiencies DCFW may terminate grant award. The assigned monitor will document the entire process in the subrecipient's contract file.

## Sub-Recipient Monitoring

DCFW is required to ensure quality services are provided by their subrecipients. Recipients are accountable to the DCFW in the management of services. Quality requirements are extensive and include:

- health and safety
- rights protection
- provider qualifications
- stability of operations
- enrollee satisfaction
- management of complaints
- incident investigation and monitoring
- assessment of outcomes to determine efficacy of care
- management of care
- preventive health initiatives
- best practices
- management system and record retention
- award closeout procedures

**Routine Monitoring** before the conclusion of the scheduled review. The reviewer(s) shares a summary of the review for each area examined, noting strengths as well as areas that may require attention. Copies of profile review results are sent electronically and/or mailed to the

Subrecipient within 15 business days of the completion of the review. Documentation outlines areas reviewed; outcomes achieved and required follow up. After the review visit is concluded, no additional information will be accepted or used to change any established outcomes.

**Health & Safety Site Review.** If a Health and Safety Site visit is required, Recipient staff will evaluate the Subrecipient's readiness to provide services according to the requirements outlined in state regulations and Recipient contract.

## Non-Compliance Sanctions

During the monitoring process, DCFW staff may identify problems related to contract non-compliance, performance issues, reporting problems, or fiscal accountability. Issues may be identified during monthly desk reviews, monthly CRR and FSR reviews, quarterly reviews, onsite visits, audit review and other means of monitoring. Problems may also arise through complaint investigation, or other means.

### Enforcement Action Options

If a subrecipient materially fails to comply with the terms and conditions of a contract, whether stated in a federal statute, regulation, assurance, application, or notice of award, DCFW may place the subrecipient under a plan of correction or plan of action and take one or more of the following actions, as appropriate in the circumstances.

**Technical Assistance.** In each instance of non-compliance, the first course of action is to offer technical assistance to address the deficient area. Technical assistance is the process of providing targeted support, assistance, and training to the subrecipient. This consists of programmatic and fiscal matters of the award. Technical assistance will be an on-going process during the duration of the non-compliance until deficiency is corrected.

**Temporarily Withhold Cash Payments.** An action taken by DCFW, after appropriate administrative procedures have been followed, which delays a subrecipient's ability to access its grant funds until it takes the required corrective action.

**Cost Disallowance.** A charge to a grant which DCFW, as the pass-through entity, determines is unallowable according to the applicable cost principles found OMB Uniform Guidance. The general rule of thumb for any costs to be considered proper is that the costs must be allowable, allocable, necessary, reasonable, and treated consistently.

**Suspension of Funds.** Process by which DCFW would temporarily suspend financial assistance under the award, pending corrective action by the subrecipient or DCFW's decision to terminate the award. The list of Suspension of Funding List (SOFL) to non-state entities is posted on the Office of State Budget and Management (OSBM) website.

Subrecipients receive a Routine Monitoring review at least once a year. Reviews will be scheduled and coordinated by contact administrators. Monitoring visits will include an exit conference with the subrecipient to discuss the outcome of the review. The contract administrator may present any additional information not located during the review process

**Designate "Restrictive Probationary Status."** A subrecipient may be designated "Restrictive Probationary Status" for any of the following circumstances:

1. It has a history of unsatisfactory performance
2. It is not financially stable
3. It has not conformed to the terms and conditions of previous contracts. Example: The subrecipient has been unable to complete past projects and submit deliverables within the accepted timeframe and/or budget.

The subrecipient is otherwise not responsible. Example: The subrecipient is not responsive to requests from the contract administrator or program management for documentation needed to address open site visit findings.

1. Significant issues are identified during grant programmatic or financial monitoring reviews, budget reviews, financial capability review, etc.

**Mandatory Special Conditions:** If a subrecipient is designated as Restrictive Probationary Status, additional special conditions and/or restrictions that correspond to the designation will be included with the grant contract. All subrecipients designated as Restrictive Probationary Status will receive three mandatory special conditions:

1. Subrecipient will be required to submit additional or more frequent financial or programmatic reports to DCFW.
2. Subrecipient will be required to participate in additional desk or on-site monitoring by DCFW.
3. Subrecipient must complete training determined by DCFW.
4. Additional special conditions will be applied as appropriate to the situation.

**Termination.** According to 45 CFR 75.372, awards may be terminated in whole or in part. If the reduced portion of a Federal award or subaward will not accomplish the purposes for which the Federal award was initially made, the division may terminate the Federal award in its entirety.

**Debarment and Suspension.** Based on Executive Order 12549 and Executive Order 12689. These orders pertain to an action by the State which excludes a person or organization from participating in grants or other federal financial assistance awards or agreements. Debarment is generally only implemented when immediate action is needed to protect the government's interest.

## Types of Non-Compliance

Subrecipients may be subject to various types of non-compliance regarding their contract agreement. For each instance of non-compliance steps will be taken to assist the subrecipient to achieve compliance status. Technical assistance will be ongoing during the period of non-compliance along with constant communication from DCFW. Below are various ways that

DCFW will consider a subrecipient non-compliant or in the state of non-compliance. Non-compliance may include, but are not limited to, the following:

- Non-compliance with monthly, quarterly or annual reporting requirements
- Expenditure of funds or conducting activities that are not in accordance with the grant's authorizing statute, regulations, guidelines, or approved application
- Findings in Single Audit conducted by an Independent Auditor
- Failure to comply with:
  - Programmatic or fiscal requirements
  - Previous required corrective actions, refund requests, or special condition

## Division Procedures for Non-Compliance

DCFW uses various measures to deal with the different types of non-compliance issues. The procedures listed below are some of the methods used by the division to deal with specific types of non-compliance. Please be aware that the procedures below are not all inclusive of every form of non-compliance and the Division reserves the right to implement additional measures to assist sub-recipient in achieving compliance status.

**Reporting Requirement Non-compliance.** A component of the DCFW monitoring process involves the submittal of financial and programmatic reports. CRR and FSR submission is part of the financial reporting process used for monthly financial monitoring. There may be monthly, quarterly, and annual performance reports required by subrecipients based on the entity's risk level. In addition, non-state entities that are not subject to the requirements of the Local Government Commission are to follow reporting requirements for GS 143C-6-23. Issues of non-compliance for GS 143C-6-23 reporting are handled by the Risk Management and Compliance Consulting section of the NCDHHS Office of Internal Audit.

For issues of non-compliance related to failure to submit CRRs and FSRs, monthly, quarterly, or annual reports, the assigned contract administrator will remedy the issue. The assigned contracting conditions:

1. By DCFW, if the subrecipient materially fails to comply with the terms and conditions of the award
2. By DCFW for cause
3. By DCFW with the consent of the subrecipient, in which case the two parties must agree upon the termination conditions, including the effective date and, in the case of partial termination, the portion to be terminated or
4. By the subrecipient, upon sending written notification to DCFW setting forth the reasons for such termination, the effective date, and, in the case of partial termination, the portion to be terminated. However, if DCFW determines in the case of partial termination that

administrator will communicate via email to the subrecipient. The email will indicate the requirement, what needs to be submitted to come into compliance and a timeframe to submit missing documents. Technical assistance will also be available for subrecipients having difficulties compiling and submitting required reports. In situations where the subrecipient fails to respond to email correspondence, the contract administrator will escalate the issue to their supervisor or the program manager. The program manager and contract administrator will send additional correspondence to subrecipient to complete reporting requirements. Failure by subrecipient to respond will result in sanctions based on the report in question. Failure to submit CRRs and/or FSRs will result in withheld payments. The Division is unable to reimburse any entity for expenses without a CRR and/or FSR. If subrecipient fails to respond to multiple correspondence, the DCFW Lead Fiscal Monitor and the Deputy Director will be notified for discussions on next steps. Actions such as being placed on Suspension of Funding List and termination of grant must be approved by the DCFW Division Director. If Suspension of Funding is requested, the DCFW Lead Fiscal Monitor will submit a request for suspension to the RMCC of the NCDHHS Office of Internal Audit. The assigned contract administrator will document the entire process in the subrecipient's contract file.

***Performance/Fiscal Non-compliance.*** During the review process of CRRs and/or FSRs, monthly, quarterly, and annual performance reports, deficiencies may be identified. Non-compliance issues related to performance measure deficiencies and expenditures not according to terms of the award identified during review of performance reports and CRRs and/or FSRs which may result in costs being disallowed will be remedied by the assigned contract administrator. The assigned contract administrator will communicate fiscal or programmatic deficiencies via email. For the deficiencies, the communication will state what was required, identify the deficiency, recommend a correction and assign a timeframe to correct deficiencies. The email will also communicate any cost disallowances and request revisions to CRRs and/or FSRs. Failure by the subrecipient to respond will result in the contract administrator escalating issue to the assigned program manager/supervisor. The program manager/supervisor and contract administrator will send additional follow-up correspondence seeking corrected items. Additional support for the resolution of this compliance issue can be provided by the Lead Fiscal Monitor and program integrity team. If a subrecipient fails to respond to the multiple correspondences, the DCFW Lead Fiscal Monitor, Assistant Director of Finance and the Deputy Director will be notified for discussions on next steps. Failure by the subrecipient to resolve this issue can result in potential suspension of DCFW funding and grant termination. Actions such as being placed on Suspension of Funding List and termination of grant must be approved by the DCFW Director. If Suspension of Funding is requested, DCFW Lead Fiscal Monitor and program integrity team will submit a request for suspension to the RMCC of the NCDHHS Office of Internal Audit. The assigned contract administrator will document the entire process in the subrecipient's contract file.

***Single Audit Finding Non-compliance.*** Audit resolution functions at NCDHHS are handled by the Office of the Internal Audit, Risk Management, Compliance and Consulting (OIA RMCC). In instance of non-compliance via audit finding, the DCFW Lead Fiscal Monitor and program integrity team review the subrecipients' responses to Management Decision Letters issued by OIA to determine if the submitted response/documentation is sufficient. Audit finding responses are reviewed and maintained in the Open Window Monitoring Module. The program integrity team and Lead Fiscal Monitor maintain all files, including Single Audits, DHHS Management Decision Letters, Audit Closure Letters and related OIA correspondence. Subrecipient Corrective action plans are reviewed to determine if all issues have been resolved. Once audit findings have been completely resolved an audit closure letter is issued.

## Retrieval of Funds and Criminal Misuse

DCFWD contracts are disbursed on a reimbursement basis. Therefore, unexpended grant funds would not be issued to the subrecipient. In some instances of noncompliance, the subrecipient may be cited with a payback of fund to DCFWD. This may be the result of a Single Audit finding, monitoring deficiency or deficiency noted in special reviews. In such instances, funds shall be recovered through receipt of a check or by reducing the current year's payment of allocated division funds otherwise due to the area program. The subrecipient shall reimburse the Division within 60 days of being invoiced or notified of the required payback, unless notification of appeal is rendered by the subrecipient. Notification of required payback can come from either Program Manager or Lead Fiscal Monitor and program integrity team. Notification will be via official mail and email. If the Executive Director of the subrecipient disagrees with the non-compliance decision, within 60 days of receipt of the notification of non-compliance, the Executive Director of the subrecipient may send to the Division Director a request for appeal.

If DCFWD suspects or receives a referral related to fraud, management deficiencies and/or criminal activity and misuse of property, the division's Lead Fiscal Monitor and program integrity team shall investigate and consult with RMCC/Internal Audit and the Division of Budget and Analysis (B&A). If the referral is determined well founded and credible in consultation with RMCC/Internal Audit and the Division of Budget and Analysis (B&A), RMCC/Internal Audit may coordinate further audit/investigation. Other parties may be involved as appropriate, including Legal, other internal staff, the Office of State Auditor, federal authority, local law enforcement authorities, and/or SBI.

## Closeout of Award Procedures

Award closeout takes place prior to and after the expiration or termination of the project period for a discretionary grant or cooperative agreement. The Notice of Award (NoA) provides detailed requirements regarding closeout of the project.

The Division of Child and Family Well-Being is required to close out awards according to 2CFR 200.344, USDA, HRSA, and other funding sources, and the requirements included in the Notice of Awards.

## Reporting

Subrecipients are informed of the closeout procedures and guidance on end of year requirements. Subrecipients submit to DCFWD, no later than 90 calendar days (or an earlier date as agreed upon by the contract administrator and the subrecipient) after the end date of the period of performance, financial, performance, and other reports as required by the terms and conditions of the Federal award.

DCFWD submits, no later than 120 calendar days after the end date of the period of performance, all financial reports including the Final Financial Report completed by the Office of the State Controller (OSC), performance reports, and other reports as required by the terms and conditions of the Federal award.

## **Unobligated Funds**

For subrecipients with excess funds that have not been granted an extension or allowed to have funds carried over, DCFW will issue an allocation letter to subrecipient which identifies the funds being de-obligated and the funding source of the funds. This process will be maintained by the DCFW Chief Budget Officer in the DCFW Finance Office. The subrecipient shall reimburse the Division within 60 days of being invoiced or notified of the required payback, unless notification of appeal is rendered by the subrecipient. Notification of required payback can come from either Program Manager or Lead Fiscal Monitor and program integrity team. Notification will be via official mail and email. If the Executive Director of the subrecipient disagrees with the non-compliance decision, within 60 days of receipt of the notification of non-compliance, the Executive Director of the subrecipient may send to the Division Director a request for appeal.

## **Continuous Quality Improvement**

The contract administrator reviews and analyzes with their team and/or supervisor lessons learned during the performance period and discusses options for improving the monitoring process and needed updates to the risk assessment. The contract administrator initiates the final closeout of the award and coordinates with the grant administrator.

DCFW RISK ASSESSMENT

INSTRUCTIONS: Complete Agency Information Summary, then proceed to Risk Assessment Form Scoring. Rate the agency on these factors and enter the total in area for "TOTAL." After the initial results, complete the next section that allows for the inclusion of additional factors not represented elsewhere on the form. If the additional factors are applicable, rate those and add the result into the total. Finally, indicate a final risk level based upon the scores and any other factors. Provide a narrative justification for the determination. Note: final risk level may be different from the level suggested by the scores if this is justified in the narrative.

AGENCY INFORMATION SUMMARY

Subrecipient Name:
Federal ID#:
Street Address:
City, State, Zip Code:
Telephone Number:
Agency Contact:

RISK ASSESSMENT FORM SCORING

1. Agency leadership stability of agency as a whole:

Local Health Director or Agency Director and finance officer with one or more years' experience 2
At least half of staff trained in key positions and some experience. 4
Staff in key positions have little or no training or experience. 6

SCORE

2. Program staff stability and qualifications for the program under review:

No change in key positions 2
Either new or no staff in 1 or more key positions 4
Either new or no program staff positions 6

SCORE

3. Program:

Agency has met program objectives outlined in contract/funding agreement 2
First year of funding for program (no basis for evaluation) 4
Corrective action plans took over 30 days to develop after findings documented 6

SCORE

4. Audit status of entire agency:

No significant or repeat findings or no audit 2
Significant or repeat findings 4
Unresolved Audit Findings 6

SCORE

5. Fiscal monitoring of entire agency:

No fiscal monitoring findings for past 2 years 2
Repeat fiscal monitoring findings 4
Significant fiscal monitoring findings w/in past 2yrs or findings not resolved. 6

SCORE

6. Cash flow for entire agency:

No significant cash flow issues for past 2 years (sufficient funds to wait for reimbursement) 2
Minor cash flow issues (program related purchase not made because of lack of cash availability) 4
Significant cash flow issues (not purchasing equipment, payroll, retirement accounts not funded, rent—can see if regular requests are made. Periodic checks of bank statements are helpful) 6

SCORE

6. Reporting status for program under review:

Program and fiscal reports (expenditures reports, program reports, measurement reports—these are required by state law—non-gov GS 143c.6-23; 09ncac n3m) are always submitted timely and accurately. 2
Routine reports are frequently late and contain errors. 4
Routine reports are not submitted or contain significant discrepancies. 6

SCORE

**7. Complexity of funding for entire agency:**

*For example, multiple funding streams, complexity of deliverables, whether or not formulas/calculations are involved in drawing down funds, and whether or not providers are allowed to exercise their own judgement in drawing down funds and determining allowable expenditures, etc.*

- Funding is relatively simple in terms of allowable expenditures 2
- Funding is moderately complex in terms of allowable expenditures 4
- Funding is very complex in terms of allowable expenditures 6

SCORE

**8. Amount of funding to Agency for program under review:**

- Less than \$25,000 2
- \$25,000 - \$499,999 4
- \$500,000 or more 6

SCORE

**9. Internal controls for entire agency:**

*(See Appendix A for tools to assess internal controls. Either (1) Internal Controls Questionnaire or (2) Financial Checklist may be used)*

- Internal Controls assessment shows few or no internal control weaknesses 2
- Internal Controls assessment shows several internal control weaknesses 4
- Internal Controls assessment shows major internal control weaknesses 6

SCORE

**SUBTOTAL 0**

**Additional Considerations - If the following categories apply, score accordingly and add to the subtotal score. Enter the result below under Final Score below.**

**10. Is this the first year DCFW is providing financial assistance to the agency?**

- Yes 2
- No 0

SCORE

**11. Are DCFW funds more than 50% of the budget for this agency?**

- Yes 2
- No 0

SCORE

**12. Has the agency had any data breaches, adverse media, or other issues that increase risk. This applies to the agency being assessed, as well as its subcontractors. Considerations may apply to the entire agency or the program under review.**

- Yes (Please specify issues/concerns below) 2
- No 0

SCORE

**Issues/Concerns:**

**13. Agency**

USEC

- Agency has written agreements with all subcontractors, conducts site visits regularly, monitors payments and reimbursements with subcontractors 2
- Missing one of the above requirements or execution is inconsistent in one or more categories 4
- No written agreement in place, does not conduct site visits regularly, payments and reimbursements not monitored 6

SCORE

**SUBTOTAL ADDITIONAL CONSIDERATIONS 0**

**FINAL SCORE 0**

**RISK ASSESSMENT RESULT (May be different from calculated risk level. Risk can be determined at the discretion of the monitor with justification.)**

Evaluation Score Key:

Low Risk (Generally, FINAL SCORE  $\leq$  30)

Moderate Risk (Generally, FINAL SCORE 31-40)

High Risk (Generally, FINAL SCORE  $\geq$  41)

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***Narrative Justification of Risk Level Determination (Include concrete evidence and supportive documentation, especially if determination is different than calculations on form. Serious problems in just one area may justify a high risk designation):***

