

OSBM

**Recipient Monitoring Plan
Guidance**

August 2016



Budget and Management

What is Monitoring?

Monitoring is an ongoing activity that begins at the application process and continues throughout the award and the life of the contract. It is incorporated into all aspects of the award process. Monitoring activities are designed to assure that public funds are allocated and spent in compliance with applicable rules and statutes, and that performance expectations are being achieved. They are also helpful for reviewing the **progress** of award activities; giving feedback to recipients and subrecipients; and finding ways for improvement.

State agencies that award or pass through State funds (which includes federal funds that are sub-awarded) to other entities are responsible for monitoring recipients to provide reasonable assurance that:

1. State funds are expended in ways that meet provisions of pertinent statutes, rules, agency administrative requirements, and the terms of the contract/agreement.
2. Adequate progress is being made toward achieving project goals and objectives (as defined in the recipient's contract/agreement).

What Should a Monitoring Plan Address?

The monitoring plan should define which program(s) the plan covers. Some agencies may have multiple programs that operate in a similar manner and/or are awarded to a common set of recipients. In these cases, the agency may want to develop a single plan that covers a group of programs. Agencies are encouraged to standardize monitoring approaches and policies across programs to the extent possible.

While monitoring plans largely focus on the techniques that will be applied during the implementation of the award, agencies may also want to consider addressing aspects of the pre- and post-award process that can impact the monitoring process. Agencies are encouraged to include the following sections in their monitoring plans:

- Risk Assessment
- Monitoring Procedures
- Sub-Recipient Monitoring
- Non-Compliance Procedures
- Closeout of Award Procedures

Pre-Award

Prior to disbursing State financial assistance, it is important that agencies have reviewed their requirements and procedures for proposal solicitations, contract agreements, and risk assessments.

Proposal solicitations

Solicitations should clearly articulate program goals, legal and programmatic requirements for compliance, criteria for evaluating proposals and applicant risk. Applicants should be evaluated based on established criteria for ability to achieve stated goals and comply with requirements. Additionally, with each solicitation, measureable and obtainable performance measures should be established to ensure the program objectives are met.

Contract/Agreement

A contract (referred to as a grant agreement by some agencies) must be in place before any funds can be disbursed to the recipient. Contracts are required to contain all of the elements identified in the NC Administrative Code (09 NCAC 03M .0703), the first of which is a specification of the purpose of the award, services to be provided, objectives to be achieved, and expected results. This information is necessary in order to conduct performance monitoring of the award. (This information may not be specified for some legislatively directed awards; however, the agency should require the recipient to document this information when developing the contract).

Risk Assessment

Agencies are encouraged to adopt a risk-based approach to reviewing applicants and monitoring recipients. The program monitoring plan should define the framework that will be used to conduct risk assessments. The plan should define risk categories (e.g. low, medium, high) and the criteria that will be considered for designation to a particular risk category. These risk categories will inform the monitoring activities that need to be performed and enable agencies to more effectively target monitoring resources towards the highest risk recipients. Risk assessments should be completed prior to award and updated annually.

Below are examples of some general areas that should be considered when developing criteria for designating risk categories:

- Financial stability
- Audit history
- Quality of management systems and staff
- Past performance
- Size/complexity of award
- Percent of funding being sub-awarded

Agencies may also want to consider adding questions to the award application to help identify various risks. Some examples are:

- Do you have written accounting procedures?
- What data will you collect to measure your progress in meeting the performance measures?

Post-Award

Once the financial assistance has been disbursed, it is important that agencies have monitoring procedures already in place for both the recipient(s) and sub-recipient(s), along with processes for dealing with non-compliance.

Monitoring Procedures

The monitoring procedures should identify the specific financial and performance monitoring activities that will be required for each designated risk level. Examples of performance monitoring activities include site visits, performance reports, financial reports, etc. The plan should identify the frequency at which specific activities will occur (e.g. site visit semi-annually for high risk recipients), how it will be

documented and maintained, and how recipients and subrecipients will be notified of such activities. Agencies may also want to develop monitoring tools or checklists to facilitate consistent implementation of the defined monitoring program.

It is also recommended for higher risk recipients, that agencies apply specific conditions or additional requirements in their monitoring plans. Recipients should be notified of these additional requirements or specific conditions. Some examples include:

- Requiring additional, more detailed financial reports
- Requiring additional project monitoring
- Providing technical assistance
- Requiring on-site reviews or site visits done earlier in the award period.

Sub-Recipient Monitoring

In addition to monitoring procedures for recipients, agencies are also encouraged to develop procedures to ensure that subrecipients are following the award guidelines. These may be requirements for the pass-through entity (recipient) to implement. The following are examples of different procedures agencies could adopt:

- Recipient's review of subrecipient in management system, record retainment
- Recipient's review of subrecipient's internal controls
- Subrecipient agreements
- Process for having subrecipient submit progress and financial reports

Non-Compliance Procedures

Agencies are encouraged to develop procedures for dealing with issues of noncompliance following the North Carolina Administrative Code (09 NCAC 03M .0901). Per the North Carolina Administrative Code (09 NCAC 03M .0901), agencies are not allowed to disburse any State financial assistance to an entity on the Suspension of Funding list. In addition, the North Carolina Administrative Code (09 NCAC 03M .0901) states what measures and/or actions agencies should take if an entity is not complying with requirements, or if an agency discovers evidence of management deficiencies or criminal activity.

Closeout of Award

It is encouraged that for awards with defined end dates, agencies develop closeout procedures. This will assist the recipient to meet all the financial requirements, provide all the final reports, and return any unused funds. Agencies can also use lessons learned through monitoring to inform risk assessments and decisions in the next award cycle, and to facilitate continuous improvement of the monitoring program.