



Missouri Office of Homeland Security
Division of Grants
Information Bulletin
OHS-GT-2012-001-04

Subject: Policy on Monitoring Subrecipient Reporting, Recordkeeping, and Internal Operation and Accounting Control Systems

Applicable To: SHSP/NSGP/UASI/PSN/STOP/NG911

Effective Date: July 1, 2020

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Introduction

The Missouri Office of Homeland Security (OHS), Division of Grants is mandated by Federal and state requirements to perform monitoring of subrecipients. This policy will guide local, state, and nonprofit agencies that receive funding passed through by the OHS on the monitoring process and requirements. This policy is to ensure that OHS complies with 2 CFR 200.328 Monitoring and Reporting Program Performance, and 2 CFR 200.331 Requirements for pass-through entities.

This information bulletin replaces OHS-GT-2012-001-03 “Policy on Monitoring Subrecipient Reporting, Recordkeeping, and Internal operation and Accounting Control Systems” dated March 27, 2020.

The following OHS grant programs are subject to this general monitoring policy:

- HSGP – Homeland Security Grant Program
- NSGP – Nonprofit Security Grant Program
- UASI – Urban Areas Security Initiative
- PSN – Project Safe Neighborhoods
- NG911 – Next Generation 911
- STOP – Stop School Violence
- Any funds from other program sources provided through the subrecipient award process

The OHS monitors the grant programs listed above for financial and programmatic compliance with the following documents:

- 2 CFR Part 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards
- Missouri Code of State Regulations
- Missouri Office of Homeland Security Division of Grants Administrative Guide for Homeland Security Grants
- Missouri Office of Homeland Security Division of Grants Information Bulletins

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- Applicable Certifications and Assurances/Special Conditions
- Applicable Grant Program Guidance/Funding Opportunity Announcement
- Subrecipient Subaward Agreement

I. Overview

The OHS acts as a pass-through entity and is subject to the requirements of pass-through entities guided by the 2 CFR 200. The 2 CFR 200.331 (d) states, “All pass-through entities must monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subaward; and that subaward performance goals are achieved.”

Subrecipient monitoring is done throughout the performance period of each grant. Status Reports and claims for reimbursement are used to monitor subrecipient throughout the grant period of performance. Grant status reports are required semi-annually, and reviewed by the OHS staff to ensure each grant is progressing accordingly. Supporting documentation is required at the time a claim for reimbursement is submitted and verified prior to a reimbursement payment being sent to the subrecipient. Grant compliance training is provided to all subrecipients, and technical assistance is provided as needed.

Desk and on-site monitoring will be determined by the subrecipients risk assessment, or by other factors throughout the grant process that may increase the risk posed by the subrecipient. A minimum of 10% of subrecipients for each grant year will receive either an on-site or desk monitoring. The 10% will be chosen out of those that have the highest risk based on the risk assessments. OHS will perform monitoring on all subrecipients that are determined to be high risk. If all subrecipients score as low or medium on the risk assessments, monitoring will be scheduled on a rotating schedule.

Monitoring for the Urban Area Security Initiative recipients will be done at a minimum of once every two years.

II. Risk Assessment

The 2 CFR 200.331 (b) indicates the pass-through entity 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.” OHS will conduct risk assessments, on each subrecipient, for every grant cycle before Subaward Agreements are issued. The risk assessment addresses several topic areas that include prior experience, audit findings, new personnel, new fiscal/accounting systems, other direct federal awards, and prior OHS monitoring conclusions. Based on the conclusions of the risk assessment, the OHS will determine whether special conditions are needed as a result of increased risk. If special conditions

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are imposed, the subrecipient will be notified of the results and any special conditions imposed.

III. Training and Technical Assistance

OHS provides training and technical assistance to all subrecipients, that may include pre-scheduled trainings, conference calls, and as needed due to non-compliance with procedural requirements.

Prior to a Subaward Agreement being issued to a subrecipient they are required to attend a compliance workshop. The compliance workshop provides grant specific training covering, but not limited to the topics listed below:

- 2 CFR Part 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards
 - Pass-through Requirements
- Missouri Code of State Regulations
- Missouri Office of Homeland Security Division of Grants Administrative Guide for Homeland Security Grants
- Missouri Office of Homeland Security Division of Grants Information Bulletins
- Applicable Certifications and Assurances/Special Conditions
- Applicable Grant Program Guidance/Funding Opportunity Announcement
- Subrecipient Subaward Agreement

When a subrecipient replaces an employee, who is key to the performance of the grant, the OHS offers training that covers the same material as that provided in the compliance workshop.

Quarterly status meetings will be held via teleconference with subrecipients. During these meetings the OHS will be provided a grant status update from the subrecipient. The OHS will provide technical assistance for any issues that may impact the progress and/or success of the grant.

IV. Desk Monitoring

A desk monitoring is a review the OHS conducts internally. The topics reviewed include the following:

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- Application & Award
- Subaward Adjustments
- External Approvals
- Claims to include personnel, contractual, equipment, supplies/operations, travel, and training/exercise
- Advance Payments
- Grant Progress/Final Status Reports
- Monitoring
- Procurement
- Audit
- Risk Assessment
- Grant Management System
- Miscellaneous

Note: The list above is not all inclusive. Additional topics may be reviewed if deemed necessary.

A copy of the Desk 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 the OHS for review. When the corrective action(s) has been reviewed and approved, an updated copy of the Desk 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 actions have been submitted and approved as required.

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If the subrecipient finds they need additional time to complete the required corrective action, an extension should be requested. To request an extension, the subrecipient should follow the instructions given in the conclusion section of the monitoring report.

V. **On-Site Monitoring**

An on-site monitoring is a review conducted by the OHS at the subrecipient's agency. The following topics, as applicable, are reviewed for financial and programmatic requirements:

- Subrecipient Records
- Subaward Records
- Subaward Monitoring
- Environmental Planning & Historic Preservation
- Personnel Costs
- Equipment
- Travel & Training/Exercise
- Supplies & Operations
- Contractual
- Advance Payments
- Accounting System, Records, & Internal Control
- Procurement
- Grant Regulations/Progress
- Audit Requirements
- NIMS Certification
- Non-Profit Organizations
- Federal/State Civil Rights Compliance

- Overall Guidance Compliance

Note: The above list is not all inclusive. Additional topics may be reviewed if deemed necessary.

The OHS will contact the subrecipient at least thirty (30) days prior to the proposed on-site monitoring to schedule a date and time for the visit. The visit may be scheduled less than thirty (30) days in advance if agreed upon and convenient for the subrecipient. After the visit has been scheduled, the OHS will send the subrecipient information confirming the on-site monitoring visit.

If, for any reason, the subrecipient needs to reschedule the on-site monitoring visit, a request to reschedule should be sent in writing to the OHS with suggested future dates for the visit to occur.

A copy of the On-Site Monitoring Report will be sent to the subrecipient within sixty (60) days of completion of the on-site monitoring visit. 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 the OHS for review. When the corrective action(s) has been reviewed and approved, a copy of the updated On-Site 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 timeframes specified, all reimbursements for the subrecipient will be held until the corrective actions 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. To request an extension, the subrecipient should follow the instructions given in the conclusion section of the monitoring report.

VI. Audit Requirements

The 2 CFR 200 Subpart F discusses audit requirements for non-Federal entities in regards to expenditures of Federal awards. 2 CFR 200.501 states, "A non-Federal entity that expends \$750,000 or more during the non-Federal entity's fiscal year in Federal awards must have a single or program-specific audit conducted for that year in accordance with the provisions of this part."

The OHS verifies compliance with single audit requirements in 2 CFR 200 Subpart F at various times throughout the grant cycle. Subrecipient audits are requested by the OHS at the time of application and during subrecipient monitoring. If the subrecipient does not

have a completed audit, financial documentation will be requested in lieu of. The OHS reviews subrecipient audits/financial documentation for the amount of Federal funds expended and negative findings. Additionally, the OHS reviews the Federal Audit Clearinghouse for submission of the single audit during the following times throughout the grant cycle to ensure compliance with 2 CFR Subpart F:

- At completion of risk assessment
- At completion of on-site monitoring
- At completion of desk monitoring

VII. Minimum Pass-Through Monitoring Standards

a) Requirements for Pass-Through Entities

A pass-through agency is defined in the 2 CFR 200.74 as a “non-Federal entity that provides a subaward to a subrecipient to carry out part of a Federal program.” The OHS acts as a pass-through entity and is therefore required to monitor their subrecipient’s and complete risk assessments as guided by the 2 CFR 200.331 (b) and 2 CFR 200.331 (d). OHS’ subrecipients who also act as a pass-through entity are subject to the subrecipient monitoring and risk assessment requirements in the 2 CFR 200.331.

b) Risk Assessment

The 2 CFR 200.331 (b) states, “All pass-through entities 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 2 CFR 200.331 indicates the evaluation of subrecipient risk may include consideration of such factors as:

- The subrecipient’s prior experience with the same or similar awards
- The results of previous audits including whether or not the subrecipient receives a Single Audit in accordance with Subpart F – Audit Requirements of this part, and the extent to which the same or similar subaward has been audited as a major program
- Whether the subrecipient has new personnel or new or substantially changed systems
- The extent and results of Federal awarding agency monitoring (e.g., if the subrecipient also receives Federal awards directly from a Federal awarding agency)

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The pass-through agency may opt to consider factors other than those described above when performing risk assessments.

The risk assessment must be completed every grant cycle **prior** to the awards and terms and conditions being issued to subrecipients. If the risk assessment determines a higher risk of noncompliance with grant regulations and requirements, special conditions may be imposed. The 2 CFR 200.207 discusses special conditions that may be imposed including but not limited to the following:

- Requiring payments as reimbursements rather than advance payments
- Withholding authority to proceed to the next phase until receipt of evidence of acceptable performance within a given period of performance
- Requiring additional, more detailed financial reports
- Requiring additional project monitoring
- Requiring the non-Federal entity to obtain technical or management assistance
- Establishing additional prior approvals

The pass-through entity must maintain the completed risk assessment in the appropriate grant file.

c) Subrecipient Monitoring

The 2 CFR 200.331 (d) states, “All pass-through entities must monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, in compliance with Federal statues, regulations, and the terms and conditions of the subaward; and that subaward performance goals are achieved.”

All pass-through entities are required to have a monitoring policy that meets or is more stringent than the minimum standards discussed below. Monitoring requirements for pass-through entities depends upon which entity is performing the procurement and purchasing of items with the grant funds.

If the **pass-through entity** performs all of the procurement and purchasing, the pass-through entity is subject to monitor the following items:

- Equipment expenditure monitoring, if applicable, to include the following:
 - Verification of equipment information to ensure inventory report is up-to-date (ex., Identification numbers, titleholders, physical locations, etc.) The form can be located at the following link:
<https://dps.mo.gov/dir/programs/ohs/grantstraining/>

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- Verification equipment is tagged as being purchased with U.S. Department of Homeland Security funding
- Verification equipment is being utilized as approved
- Verification equipment is being maintained and is in good working condition
- Verification usage logs are being maintained as required
- Verification of insurance on equipment (self-insured or insured through agent)
- Personnel expenditure monitoring, if applicable, to include the following:
 - Verification the subrecipient is charging the correct time as worked on the program and timesheets, personnel certifications, and salary information are being maintained
 - Verification the subrecipient is charging the correct rate of benefits
 - Verification the subrecipient maintains a personnel policy manual
- Environmental Historic Preservation monitoring, if applicable, to include the following:
 - Verification if Environmental Historic Preservation clearance is required on any projects and if screening and clearance were completed before work begun on the project as required
- Audit requirement monitoring to include the following:
 - Verification of the subrecipient's schedule of expenditures on federal awards for the most recent year to determine if the threshold of \$750,000 has been reached, requiring completion of a Single Audit
 - Verification the subrecipient completed a Single Audit as required
- NIMS Compliance monitoring to include the following:
 - Verification that the subrecipient is NIMS compliant or working towards NIMS compliance
 - The Missouri Office of Homeland Security Administrative Guide for Homeland Security Grants states, "Prior to allocation of any

Federal preparedness awards subrecipients must ensure and maintain adoption and implementation of NIMS. Emergency management and incident response activities required carefully managed resources (personnel, teams, facilities, equipment, and/or supplies) to meet incident needs. Utilization of the standardized resource management concepts such as typing, credentialing, and inventorying promote a strong national mutual aid capability needed to support delivery of core capabilities”

- The Missouri Office of Homeland Security Administrative Guide for Homeland Security Grants states, “In order to continue working towards NIMS compliance, subrecipient agencies should: formally endorse or sign a proclamation to adopt NIMS concepts and philosophies; develop a jurisdictional NIMS Implementation Plan; develop a NIMS training matrix applicable to their agency; develop and maintain a NIMS training file.”
- Verification NIMS Certificates are on file and accessible if needed
- Federal/State Civil Rights to include the following:
 - Verification of compliance with Section 213.055 RSMo, in regards to non-discrimination in employment practices, as it relates to race, color, religion, national origin, sex, ancestry, age, and disability
 - Verification of compliance with Section 213.065 RSMo, in regards to non-discrimination in public accommodations as it relates to accommodations, advantages, facilities, services, privileges made available in place of public accommodations
 - Verification of written policies or procedures in place for filing complaints alleging discrimination (if organization employs more than fifty (50) employees)
 - Verification the agency provides training for its employees on civil rights laws (if organization employs more than fifty (50) employees)
- Verification Emergency Operations Plans (EOP) are updated as required
 - The U.S. Department of Homeland Security (DHS) Notice of Funding Opportunity (NOFO) Fiscal Year 2017 Homeland Security Grant Program (HSGP) states, “Recipients must update their EOP at least once every two years to comply with Comprehensive Preparedness (CPG) 101, as amended, Developing and Maintaining Emergency Operations Plans.”

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- Please note, if the agency does not already have an EOP, they are not required to maintain one
- Verification that the subrecipient maintains a conflict of interest policy.

However, if the local **subrecipient** agency performs the procurement and purchasing, the pass-through entity is subject to monitor all requirements listed above in addition to the following items:

- Procurement & Purchasing
 - Verification to ensure the subrecipient is abiding by the most restrictive procurement policy in obtaining bids/solicitations and maintaining procurement documentation as required
 - If the subrecipient has their own procurement policy, it should be followed unless, the minimum standards of the State of Missouri policy, discussed below, are more stringent
 - The Missouri Office of Homeland Security, Division of Grants Administrative Guide for Homeland Security Grants states, the subrecipient must, at a minimum, meet the following procurement standards:
 - All procurement transactions whether negotiated or competitively bid shall be conducted in a manner so as to provide maximum open and free competition
 - Contractors that develop or draft specifications, requirements, statements of work, or invitations for bids or requests for proposals must be excluded from competing for such procurements
 - All quotations and rationale behind the selection of a source of supply shall be retained, attached to the purchase order copy, and placed in the accounting files.
 - Items costing less than \$10,000 may be purchased with prudence on the open market
 - All purchases estimated to total between \$10,000 but less than \$100,000.00 to a single vendor, must be competitively bid, but need not be solicited by mail or advertisement. An informal

method is acceptable, for example: request for quotation, telephone quotes, online pricing, etc.

- All purchases with an estimated total expenditure of \$100,000.00 or over to a single vendor shall:
 - be advertised for bid in at least two daily newspapers for general circulation in such places as are most likely to reach prospective bidders (and may advertise in at least two (2) weekly minority newspapers and may provide such information through an electronic medium available to the general public) at least five (5) consecutive days before bids for such purchases are to be opened
 - post a notice of the proposed purchase in a public area of the subrecipient's office
 - solicit bids by mail or other reasonable methods generally available to the public from prospective suppliers
 - If less than (3) bids are received OHS must approve prior to vendor selection
- Use of single feasible source procurement is discouraged. A single feasible source procurement exists when:

Non Federal Funds

- Supplies are proprietary and only available from the manufacturer or a single distributor; or
- Based on past procurement experience, it is determined that only one (1) distributor services the region in which the supplies are needed; or
- Supplies are available at a discount from a single distributor for a limited period of time

Federal Funds and Other Non-Federal Funds
Used for Federal Match

- The item is available only from a single source; or
 - The public exigency or emergency for the requirement will not permit a delay resulting from competitive solicitation; or
 - The Office of Homeland Security expressly authorizes noncompetitive proposals in response to a written request from the local agency; or
 - After solicitation of a number of sources, competition is determined inadequate
- Use of single feasible source procurement of \$10,000 or over requires prior approval from the OHS.
- Documentation the subrecipient verified the Missouri Suspension/Debarred Vendors, the Federal Excluded Parties List System (EPLS), and did not make purchases from any agency on either list. The lists can be located at the following links: <https://oa.mo.gov/purchasing/vendor-information>
https://sam.gov/portal/SAM/?portal:componentId=31be779b-ffb7-4907-b7b1-e74a85af25d6&interactionstate=JBPNS_rO0ABXc0ABBfanNmQnJpZGdlVmlld0lkAAAAAQATL2pzZi9mdW5jdGlvbmlkLmpzcAAHX19FT0ZfXw**&portal:type=action#1
- Contract Requirements
 - Verification the Federal Contract Provisions required by 2 CFR 200 Appendix II to Part 200 - Contract Provisions for Non-Federal Entity Contracts Under Federal Awards are included in all contracts paid with grant funds and can be located at the following link:
https://www.ecfr.gov/cgi-bin/text-idx?SID=2d67a1cd3fa87f81cdb18faef958b4af&mc=true&node=ap2.1.200_1521.ii&rgn=div9
- Internal Control Procedures/Segregation of Duties
 - Verification of internal control procedures or segregation of duties exist

- Accounting System
 - Verification the subrecipient's accounting system separates federal funds from other sources of funds, and distinguishes each individual grant separately
 - Verification the subrecipient has a method to track their grant funds
- Record Retention
 - Verification the subrecipient is adhering to their record retention policy or the State of Missouri's record retention policy, whichever is more stringent
 - The Missouri Office of Homeland Security, Division of Grants Administrative Guide for Homeland Security Grants states, All grant records should be retained for "at least five (5) years from the end of the state fiscal year in which the grant closes or following notification by the awarding agency that the grant has been programmatically and fiscally closed or at least five (5) years following the closure of the subrecipient's audit report covering the entire award period, whichever is later."

The topics listed above are the minimum the pass-through agency must review during subrecipient monitoring. The pass-through agency may choose to review and monitor additional topics during subrecipient monitoring.

The pass-through entity should select subrecipients to be monitored with higher risk, as indicated by the risk assessment. OHS requires a minimum of 10% of subrecipients be monitored for each grant year, with at least half of those performed being on-site monitorings. The pass-through agency may opt to perform additional monitoring beyond the minimum requirements based upon the results of the risk assessments or other factors throughout the grant process that may increase the risk posed by the subrecipient.

When the pass-through entity has completed subrecipient monitoring, a copy of the monitoring report must be generated and sent to the subrecipient within sixty (60) days. The report should contain conclusions of the monitoring and any corrective actions the subrecipient is required to complete. The pass-through entity is required to follow-up on any required actions subrecipients are to complete and ensure they are completed as required.

The pass-through entity must maintain monitoring documentation in the appropriate grant file for the minimum required record retention.

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VIII. Grant Contact Information

The OHS grant points of contact can be located at the following link:
<http://dps.mo.gov/dir/programs/ohs/grantstraining/>.

Office of Homeland Security, Division of Grants
Lewis & Clark State Office Building
1101 Riverside Drive
P.O. Box 749
Jefferson City, Missouri 65102
Phone: 573-526-9020
Fax: 573-526-9012