



How to Manage Subrecipients

2018 CDBG-DR Problem Solving Clinic

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Welcome & Speakers

- Session Objectives
 - Defining subrecipient
 - Teach grantees about the requirements for selecting and managing subrecipients
 - Provide tips and lessons learned regarding effective subrecipient management, oversight and monitoring
- Speakers
 - Steve Higginbotham, ICF



Agenda

- Define “subrecipients” and other types of entities that may participate in DR programs
- Discuss typical issues that arise with subrecipients
- Discuss the process for selecting a subrecipient
- Oversight and monitoring
- Questions and resources



Subrecipient Management



What is a subrecipient?

- 24 CFR 570
 - Public or private nonprofit agency, authority or organization, or a for-profit entity serving Microenterprises (24 CFR 570.201(o)) receiving CDBG-DR funds from the recipient or another subrecipient to undertake CDBG-DR eligible activities (see 24 CFR 570.500(c)).
- 2 CFR 200
 - A non-Federal entity that receives a subaward to carry out part of a Federal program (see 2 CFR 200.93 & 200.330).



What is a subrecipient, really?

- A subrecipient is a grantee's partner in disaster recovery.
 - Determines who is eligible to receive what Federal assistance;
 - Has its performance measured in relation to whether objectives of a Federal program were met;
 - Has responsibility for programmatic decision making;
 - Is responsible for adherence to applicable Federal program requirements specified in the Federal award; and
 - In accordance with its agreement, uses the Federal funds to carry out a program for a public purpose specified in authorizing statute, as opposed to providing goods or services for the benefit of the pass-through entity.



Types of Subrecipients

- Method of Distribution(MOD) Subrecipient
 - A subrecipient that administers a multi-faceted grant
 - Prepares a Needs Assessment and an Action Plan to allocate funds to its own directly delivered activities or to lower subrecipients
- Simple Subrecipient
 - A subrecipient that is responsible for managing a single program, as directed by the Recipient, or higher subrecipient



State Grantees and Subrecipients

- With CDBG-DR, states may carry out activities directly, fund UGLGs, or fund subrecipients, or
 - Other state level departments used to administer programs are not technically subrecipients but may be treated as such
 - Must have some sort of similar agreement outlining roles, responsibilities and requirements (e.g., MOU)
 - Regardless, only one agency may be the lead agency responsible for oversight



Who is not a Subrecipient?

- Contractor
 - Competitively procured and provides a specific scope of services
- Developer
 - Awarded funds for an affordable housing development
 - Can be either a for-profit or non-profit entity
 - Typically organized and/or formed for single purpose or undertaking (e.g., rental or homebuyer project)
- Business
 - Privately- or publicly-held for-profit entity receiving funds as a beneficiary under a program (e.g., business loan program)



Comparison of Subrecipients and Contractors

	Subrecipient	Contractor
Selection	<ul style="list-style-type: none">• Simply Selected	<ul style="list-style-type: none">• Procured (e.g., 2 CFR 200)
Applicability of requirements	<ul style="list-style-type: none">• Subject to all applicable administrative, financial and cross-cutting Federal rules and requirements• Can only charge actual costs to deliver activity	
Monitoring and performance	<ul style="list-style-type: none">• Must adhere to written agreement outlining responsibilities• Recipient monitors all aspects of program	<ul style="list-style-type: none">• Must deliver services identified in the contract



Responsibilities of Subrecipients

- Meet the grantee's specific selection criteria
- Carry out specified program on behalf of grantee
- Comply with all Federal statutes, regulations and program requirements
- Comply with all terms and conditions of the subrecipient agreement
- Meet all established performance goals
- Ultimately the grantee is responsible for subrecipient compliance and performance



Selecting Subrecipients

- Grantees may use any reasonable criteria to select a subrecipient.
 - Request for Qualifications
 - A qualified non-profit serving a specific geography
 - A Local Government



Assessing Capacity of Subrecipients

- Grant management history (track record)
 - Grantee monitoring reports
 - Internal and external audits (i.e. Office of Inspector General (OIG))
 - Ability to comply with Federal rules & regulations (capacity)
- Staffing
 - New or experienced
 - Turnover rate
- Program and activity experience
 - Knowledge of CDBG/CDBG-DR
 - Management of similar programs/activities



Assessing Capacity of Subrecipients (cont.)

- Financial and Tracking Systems
 - Adherence to uniform standards (2 CFR 200)
 - Invoice and payment functionality
 - Experience in handling program income
 - A-133/2 CFR 200 audit reports
 - Outstanding audit findings, if any
- Contractor Oversight (if applicable)
 - Knowledge of procurement requirements
 - Monitoring systems in place
 - Understand specific scope of service



Subrecipient Agreements

- Legal means to convey all applicable requirements, roles & responsibilities (see CDBG regulations 24 CFR 570.503) including:
 - Statement of work/scope of services
 - Period of performance
 - Records to be maintained, reports to be submitted
 - Uniform admin/financial & cross-cutting requirements
 - Provisions on suspension/termination, reversion of assets and enforcement
- Amend over time as necessary



Subrecipient Oversight

- In order to ensure subrecipients are properly carrying out activities, the grantee must have oversight mechanisms in place to track progress and monitor performance
- Consider:
 - How to staff oversight responsibilities
 - Consider components to be reviewed and monitored (administrative, financial, programmatic, technical)
 - Maintaining policies, procedures and tools
 - How issues such as nonperformance & findings will get resolved in a timely manner



Subrecipient Oversight (cont.)

- Use the results of the subrecipient's assessment to develop any required training and/or technical assistance
- Determine the level of risk associated with subrecipients by using some of the following factors:
- Knowledge of program requirements & cross-cutting Federal requirements
- Size and complexity of the program
- Financial management indicators (e.g., expenditure rates, findings)
- Management factors (e.g., staff turnover)
- Citizen complaints



Subrecipient Oversight (cont.)

- Based on the level of risk, identify a schedule for reviewing subrecipient activities and share the schedule with the subrecipient
- Establish milestones, and include them in the subrecipient agreement
- Track financial progress monthly by comparing actual expenditures against subrecipient's budget
- Track programmatic progress quarterly by using information provided for the Quarterly Performance Report (QPR)



Subrecipient Oversight (cont.)

- If progress is not made:
 - Provide feedback to subrecipient
 - Work together to identify a solution
 - Develop a plan to meet performance requirements
- If performance does not improve according to the plan, follow through on identified corrective action
- Subrecipients are also reviewed during the grantee's normal monitoring schedule
- HUD encourages grantees to monitor subrecipients at least annually



Subrecipient Oversight (cont.)

- Subrecipient Procurement
 - Subrecipients should seek guidance from the HUD grantee on procurement requirements to be followed and the applicability of 2 CFR 200.318 – 326.
 - Subrecipients (and grantees) **MUST** include an evaluation of the cost or price of a product or service in advance of opening bids in each procurement action.
 - Grantees must monitor the procurement actions of their subrecipients as part of their oversight.



Resources

- 24 CFR 570:
http://www.ecfr.gov/cgi-bin/text-idx?tpl=/ecfrbrowse/Title24/24cfr570_main_02.tpl
- HUD CPD Monitoring Handbook:
http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/cpd/6509.2
- DR Toolkits:
<https://www.hudexchange.info/programs/cdbg-dr/toolkits/>
- OIG Integrity Bulletin Summer 2016:
<https://www.hudexchange.info/resources/documents/HUD-Integrity-Bulletin-Subrecipient-Oversight-Monitoring.pdf>
- A Guidebook for Grantees on Subrecipient Oversight:
https://portal.hud.gov/hudportal/documents/huddoc?id=DOC_17086.pdf
- 2016 CDBG-DR: Subrecipient Management and Record Keeping Webinar
<https://www.hudexchange.info/trainings/courses/2016-cdbg-dr-subrecipient-management-and-recordkeeping-webinar/>
- Buying Right CDBG-DR and Procurement: A Guide to Recovery
<https://www.hudexchange.info/resource/5614/buying-right-cdbg-dr-and-procurement-a-guide-to-recovery/>



Questions

