

## **DHHS POLICIES AND PROCEDURES**

---

<b>Section IV:</b>	<b>General Administration</b>
<b>Title:</b>	<b>Subrecipient Monitoring Manual</b>
<b>Chapter:</b>	<b>Introduction</b>
<b>Current Effective Date:</b>	<b>3/30/05</b>
<b>Revision History:</b>	<b>12/01/02</b>
<b>Original Effective Date:</b>	<b>12/01/02</b>

---

### **Introduction**

The Department of Health and Human Services (DHHS) has financial assistance relationships with a wide variety of organizations – local government agencies, public authorities, non-profit and for-profit entities, and universities. These agencies vary from very large organizations such as a major department in a county government or a state university to very small three-employee non-profit agencies. Regardless of the size or type of agency, a financial assistance arrangement exists when another entity expends state or federal funds received from the department to carry out a state or federal program. In this case, the entity receiving the funds from DHHS is known as a subrecipient.

In any business arrangement, the purchaser has an obligation to ensure that the goods or services received meet expectations. This is true when an agency purchases supplies from a vendor and is equally true in financial assistance relationships. When one organization arranges with another to provide program services, the organization providing the funding assumes some responsibility for assuring that the funds are being managed efficiently and effectively to accomplish the objectives for which funding was provided. The federal government has formalized this obligation for federal funds received by the State in the Office of Budget and Management (OMB) Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. Circular A-133 requires states to “monitor the activities of subrecipients as necessary to ensure that federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved.” In fulfilling this responsibility, North Carolina has chosen to apply the same requirements to state funds received by subrecipients (G.S. 143-6.1).

The Office of the DHHS Controller has been assigned responsibility for coordinating subrecipient monitoring (also known as program monitoring) throughout the department. It is the policy of the department to conduct all monitoring activity in a positive, helpful manner. Effective monitoring should serve to identify concerns and problems in order to assist the subrecipient in solving the problem and complying with all program requirements. Failure to monitor risk areas could result in weaknesses going undetected and in the loss of federal funds.

Each division with subrecipient relationships must develop a comprehensive annual monitoring plan for all subrecipients. The purpose of this manual is to serve as a guide in developing division plans. It is intended to identify important requirements that the department, as both a grantor and a pass-through entity for program funds, should monitor to provide reasonable assurance that subrecipients are in compliance with all applicable provisions. There are several mechanisms that can be used for monitoring performance. Some of these activities include: (a) reviewing and approving program planning documents, (b) reviewing and approving operating budgets for the programs, (c) reviewing and approving expenditure reports for the program, (d) reviewing any reports of program accomplishments or other indicator data on the programs, (e) requiring, reviewing, and resolving audits of the program, and (f) performing on-site visits. This manual is designed to illustrate and expand on the monitoring plan requirements and to provide assistance in the development of division-specific monitoring plans. It is structured to facilitate the use of standardized monitoring processes where possible and if appropriate. The manual aims to provide consistency in the monitoring activities across the various divisions and offices in DHHS and to ensure that core monitoring areas are addressed.

*For questions or clarification on any of the information contained in this policy, please contact [Office of the Controller](#). For general questions about department-wide policies and procedures, contact the [DHHS Policy Coordinator](#).*