

Connecticut State Department of Education

Subrecipient Monitoring Plan

Revised: June 30, 2021



Division of Finance and Internal Operations

The Connecticut State Department of Education (CSDE), Division of Finance and Internal Operations' Bureau of Fiscal Services (BFS) has developed this fiscal and subrecipient monitoring plan as required under the Elementary and Secondary Education Act of 1965, as amended by the Every Student Succeeds Act of 2015. The Plan has been updated to include the requirements of the Coronavirus Aid, Relief and Economic Security (CARES) Act, Education Stabilization Fund I, Coronavirus Response and Relief Supplemental Appropriations (CRRSA) Act, Education Stabilization Fund II, and the American Rescue Plan (ARP), Education Stabilization Funds III. The BFS staff, along with the grant program managers, are responsible for fiscal monitoring of expenditures of federal grants awarded to subrecipients, including local education agencies, nonprofit organizations, and state departments.

Overview

The CSDE serves as a pass-through entity for federal awards and, as such, is required to monitor the activities of subrecipients as needed, ensuring subawards are used for the authorized purposes, in accordance with federal statutes, regulations, and terms and conditions of the subaward. Monitoring includes an assessment of documentation and data maintained by the subrecipient; information obtained in interviews; and information obtained through observation. One of the most important aspects of the grant/subgrant process is to keep subrecipients abreast of activities and changes to programs and policies relevant to a particular award. CSDE uses interviews, email, and our electronic Grants Management System (eGMS) to do this. In addition, for the Covid-19 related relief funds, the Department has a dedicated webpage and technical assistance team. We also continue to offer specific training related to each grant for our Local Education Agencies (LEAs).

Subrecipient monitoring activities/methods that the CSDE can use include, but are not limited to, the following: annual risk assessment, single audit review, limited-scope audits, site visits, subrecipient report review, prior approval for certain activities, third-party evaluations, and technical assistance and training.

Purpose and Authority

The CSDE adheres to the following federal regulatory provisions under which fiscal accountability and compliance monitoring are conducted:

- 2 CFR §200.331 – Requirements for Pass-Through Entities;
- 2 CFR §200.3474 – Uniform Administrative Requirements, Cost Principles, and Audit Requirements;
- 2 CFR §200 EDGAR – Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards;
- 34 CFR §74 – Administration of Grants and Agreements with Institutions of Higher Education, Hospitals, and other Non-Profit Organizations;
- 34 CFR §80 – Uniform Administrative Requirements for Grants and Cooperative Agreements; and

- OMB Circular A-133 – Audits of States, Local Governments, and Non-Profit Organizations.

Internal Controls

CSDE is responsible for ensuring its compliance with state and federal regulations in all aspects of grants' fiscal and programmatic management.

CSDE Responsibilities/Activities

All subrecipient grant applications are processed through eGMS. Subawards undergo a three-tiered CSDE review and approval process:

1. Program staff conduct review of subrecipient budgets and associated budget narratives and documentation of proposed activities.
2. CSDE management perform a further review of the activities and associated budgets.
3. CSDE fiscal staff ensure funds are available and coding is right.

CSDE program staff review subrecipient activities to provide reasonable assurance that the subrecipient administers federal awards in compliance with federal requirements by review of programmatic reports and on-site monitoring visits. Other activities that CSDE fiscal and program staff carry out include:

- conducting fiscal monitoring;
- processing fund requests in a timely manner;
- using eGMS to track grant programs and progress;
- developing policies for grant monitoring, single audits, and fund request/reimbursement process;
- regularly communicating the most recent up-to-date guidance on processes;
- ensuring sufficient guidance on the use of the eGMS; and
- conducting workshops, webinars, and meetings

Risk Assessment

The risk assessment identifies the likelihood a subrecipient may fail to observe prescribed rules. The risk level assigned to an organization does not indicate the organization has passed or failed but merely establishes the organization's compliance risk level. An organization's compliance and noncompliance can only be determined by an independent auditor or after a review by CSDE monitoring staff.

CSDE's Office of Internal Audit (OIA) conducts an annual risk assessment by reviewing all audit reports submitted by subrecipient organizations and, as a result, risk levels can change from year to year. OIA assigns a priority number to those subrecipients with audit findings, i.e., a risk assessment. The risk assessment targets areas that help identify changes critical to assessing the subrecipient's risk level, such as: financial problems that could lead to diversion of program funds; loss of essential personnel; loss of accreditation to operate the program; rapid growth; new

activities or services; organizational restructuring; and complaints regarding program and/or fiscal operations.

This annual review allows the CSDE to focus its resources on the following approaches to mitigate the potential for risk while providing support to subrecipients at the same time:

- *Communication* – Regular communication with all subrecipients regarding programmatic and fiscal updates. Specific, tailored communication with subrecipients in areas identified as a potential risk.
- *Technical Assistance* – Organizations with a medium or high-risk level may be subject to special grant conditions and will be afforded focused technical training and assistance by CSDE staff.
- *Selected Subrecipient Monitoring* – Annually, the CSDE may elect to choose subrecipients for fiscal monitoring. The higher the risk level, the more likely a subrecipient is to be selected for monitoring.

Monitoring

As a federal pass-through entity, CSDE has responsibility to monitor subrecipients to ensure subawards are used for authorized purposes, and in accordance with federal and state statutes, regulations, and the terms and conditions set forth in the subaward. The monitoring process tests five different categories: time and effort, payroll cost, non-payroll cost, asset management, grants management.

Fiscal Monitoring Process

Based on annual single audit review and risk assessment, CSDE develops and conducts the annual subrecipient monitoring plan. The risk assessment tool is used to help in determining the priority of subrecipients to be reviewed and the level of monitoring to be performed. Also, the risk assessment is used in determining the frequency of the subrecipient monitoring. The goal of any subrecipient monitoring is to ensure compliance with applicable federal statutes and regulations and grant program directives and requirements. Subrecipient monitoring is conducted either remotely or on site at the subrecipient locale.

Monitoring activities, at a minimum, encompass a review to determine:

- if costs are allowable, allocable, reasonable, and necessary for the performance and the administration of the program;
- if costs are applied consistently and conform to Generally Accepted Accounting Principles (GAAP);
- if costs are supported by adequate documentation, such as vendor invoices, time and attendance records, purchase orders, etc;
- if reported charges represent actual costs, not budgeted or projected amounts;
- if matching requirement contributions were met;
- if matching requirement contributions were from allowable sources;

- if cash advances/drawdowns are only for amounts necessary to meet immediate cash needs;
- if excess cash for the immediate needs of the program does not accumulate beyond the immediate needs of the program; and
- if program funds were used to acquire equipment.

CSDE implemented the eGMS that incorporates the application and a payment request process based on approved program budgets. The BFS requires subrecipients to, at a minimum quarterly, report actual expenditures in eGMS. This feature will be expanded as the organization transitions to a reimbursement process beginning in state fiscal year 2022, requiring subrecipients to upload pertinent financial documentation in support of their requests for reimbursement. eGMS allows for a centralized communication process where notes can be added in support of actions taken by either the subrecipient or CSDE staff.

Corrective Actions Related to Federal Grants

Corrective actions can be imposed by CSDE when subrecipients of federal grants are found to be noncompliant with the terms and conditions of federal grant programs. The purpose of any such corrective action is to ensure the subrecipient makes the necessary corrections and becomes compliant.

Corrective Action

When a subrecipient does not follow the terms and conditions of federal grant programs, the CSDE can impose corrective action. The purpose of any corrective action is not to punish the subrecipient but to bring them in line with federal requirements.

Noncompliance may be identified in: single audit or single audit review, federal monitoring review, or concerns identified through other means.

Once noncompliance has been identified, the subrecipient will receive notification of the necessary items to address the noncompliance. The notification will outline area(s) of noncompliance, enforcement actions (if any), corrective action plan submittal timeframe, corrective action completion timeframe.

It is the responsibility of the subrecipient to submit a corrective action plan that addresses each monitoring finding and for submitting proper supporting documentation.

Enforcing Corrective Action

The CSDE may impose an enforcement action as part of a corrective action plan or for noncompliance with an earlier corrective action. In 2 CFR §200.338 – Remedies for Noncompliance, the CSDE is authorized to impose enforcement actions. The CSDE may:

- temporarily withhold cash payments pending corrective action;
- disallow all or part of the cost of the activity or action not in compliance;

- wholly or partly suspend or terminate the federal award;
- initiate suspension or debarment proceedings;
- withhold further federal awards for the grant;
- take other remedies that may be legally available; and
- deny a grant application for federal funding as an enforcement action.

Completing Corrective Action

The subrecipient must validate that it has corrected the activity/deficiency that resulted in the noncompliance. Specific documentation is required, demonstrating the completion of the corrective action by the date identified in the corrective action notification. Required documentation should be sent to the CSDE email address identified in the corrective action notification along with any questions or concerns. If the subrecipient needs more time to provide such information, they must request an extension in writing addressed to:

Kathy Demsey
 Chief Financial Officer
 Connecticut State Department of Education
 450 Columbus Boulevard, Suite 401
 Hartford, CT 06103

Applicable Refunds

If the corrective action results in a repayment of federal funds, send payment to:

Connecticut State Department of Education
 Bureau of Fiscal Services
 450 Columbus Boulevard, Suite 404
 Hartford, CT 06103

Additional Monitoring Specific to ARP-ESSER (Elementary and Secondary School Emergency Relief) Funds:

Pursuant to Section 2004 of the ARP Act, the CSDE must monitor compliance with a new maintenance of equity (MOEquity) provision that requires the following determinations:

At the SEA level:

1. For any LEA identified by the SEA as a “high-need LEA” the SEA may not, in FY2022 and FY2023, reduce State funding, calculated on a per-pupil basis, by an amount that exceeds the overall per-pupil reduction in State funds, if any, across all LEAs in the State for such fiscal year.

2. For any LEA identified by the SEA as a “highest-poverty LEA”, the SEA may not, in FY2022 and FY2023, reduce State funding, calculated on a per-pupil basis, below the amount the SEA provided per-pupil to such LEA in FY2019.

At the LEA level:

1. For each school identified as a “high poverty school” the LEA may not, in FY2022 and FY2023, reduce per-pupil funding (from combined State and local funding) by an amount that exceeds the total reduction, if any, in LEA per-pupil funding for all schools served by the LEA in such fiscal year; or
2. For each school identified as a “high poverty school” the LEA may not, in FY2022 and FY2023, reduce the number of FTE staff per-pupil by an amount that exceeds the total reduction, if any, in FTE staff per-pupil in all schools served by the LEA in such fiscal year.

This calculation will be done annually for both the SEA and LEAs. The Department will monitor compliance quarterly for both the SEA and LEAs.