Recipient Monitoring Plan Guidance

NC Office of State Budget & Management
www.osbm.nc.gov

Updated February 2024

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This guidance on grants monitoring plans applies to all grants, regardless of funding source, except those overseen by the NC Pandemic Recovery Office (NCPRO). NCPRO is responsible for oversight, administration, and federal reporting for four federal pandemic-related programs:

1. Coronavirus Relief Funds
2. The Governors Emergency Education Relief program,
3. Emergency Rental Assistance, and
4. Homeowners Assistance Fund,
5. State Fiscal Recovery Fund,
6. Economic Development Administration ARPA State Travel, Tourism and Outdoor Recreation Grant, and
7. Economic Development Administration ARPA Statewide Planning Grant.

NCPRO has separate monitoring guidance for these programs. Agencies should submit to OSBM monitoring plans that are based on the guidance provided here for all other grant programs.

Where Monitoring Fits in the Grant Life Cycle

It is important to understand the life cycle of a grant to recognize when to start monitoring. There are three phases in the life cycle of a grant, the pre-award phase, the award phase, and the post award phase.

Pre-Award Phase

The pre-award phase begins when an agency solicits applications and ends after applications have been reviewed and scored. There are two types of grants, competitive and noncompetitive. Competitive grants require solicitation of applications in which noncompetitive grants are direct to one or more grant by a legal authority.

For competitive grants, agencies are encouraged to develop a solicitation that 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, measurable and obtainable performance measures should be established to ensure the program objectives are met.

For noncompetitive grants, solicitations are not necessary. Typically, the federal granting agency or the General Assembly identify the recipients and funding amount to be allotted to each recipient.

Award Phase

The award phase starts with notification to the applicants of the award and ends with execution of a contact.

A contract (referred to as a grant agreement by some agencies) must be in place before any public funds can be disbursed to the recipient. Contracts are required to contain all 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 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).

Post-Award Phase

The post-award phase begins when a recipient expends public funds and starts working on achieving the outcome of the award. This phase encompasses compliance and performance monitoring. The post-award phase is completed after the period of performance ends and closeout activities are completed.

What is Monitoring?

Monitoring is a system of educating, reviewing, tracking, and reporting on the use of grant funds. It begins in the award phase and continues throughout the post-award phase. Monitoring activities are designed to assure that public funds are 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 and education 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?

A monitoring plan largely focus on the techniques that will be applied during the award phase and post-award. Agencies should include the following sections in their monitoring plans:

1. Programs covered (5 points)
2. Technical assistance/education (20 points across two components)
3. Risk Assessment (15 points across three components)
4. Monitoring Procedures (25 points across three components)
5. Sub-Recipient Monitoring (0 points)
6. Non-Compliance Procedures (20 points across two components)
7. Closeout of Award Procedures (15 points across three components)

As shown above, OSBM has assigned each section a point total. There are a total of 100 points; plans must collect 70 points to be approved. Some sections have components that make up the section score. Plans will either receive full points or zero points for each component.

Define Programs

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 while others will not. 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. Defining the program(s) covered in the plan is worth 5 points.

Education/Technical Assistance

Education and technical assistance occur during the life of the grant. Education can be one-on-one instructions, live group events, or web-based information. Education is typically a one-time event. Whereas technical assistance is targeted to address a specific issue or problem a recipient is have with appropriate conformance of a specific grant requirement. The education component and technical assistance component are each worth 10 points.

Before issuing public funds, it is appropriate to education recipients on their responsibilities to conform with applicable laws and rules; contract requirements; allowable use of public funds; reporting requirements, achievement of performance goals. It is also important to education recipients on their responsibilities as it related to subrecipients monitoring responsibilities.

Technical assistance may involve multiple contacts and interactions over an extended period to ensure the recipient has the skills and / or knowledge conform to the requirements of the contract.

Risk Assessment

Agencies must 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 (see below for example). These risk scores will inform the monitoring activities that need to be performed and enable agencies to target monitoring resources more effectively towards the highest risk recipients. Risk assessments should be completed prior to or just after award and updated, at a minimum, annually.

Below are examples of some risk categories:
- Financial stability
- Audit history
- Quality of management systems and staff
- Past performance
- Size/complexity of award
- Percent of funding being sub-awarded

The grading scale will be a score ranking of either zero points or five points as either full points or no points will be given

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 performancemeasures?

In assessing the monitoring plan, risk assessments with risk categories, criteria for designating each category, and grading scale are each worth 5 points.

Monitoring Procedures

The monitoring procedures should identify the specific financial and performance monitoring activities that will be required for each designated risk level (10 points). Examples of performance monitoring activities include desk review, site visits, performance reports, financial reports, etc. The plan should identify the frequency at which specific activities will occur (5 points) (e.g. site visit semi-annually for high-risk recipients), document procedures (5 points), and communication methods (5 points). 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 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 monitoring of subrecipient in management system, record retainment
- Recipient's monitoring of subrecipient's internal controls
- Subrecipient agreements
- Process for having subrecipient submit progress and financial reports

Non-Compliance Procedures

When monitoring procedures identify noncompliance, the agency must take actions. Agencies should develop procedures for dealing with issues of noncompliance, including following the North Carolina Administrative Code (09 NCAC 03M .0801).

Monitoring plan should include what action will be taken (10 points) and the timing of those actions for addressing noncompliance (10 points). Procedures should include:
- Formal communication to recipient the noncompliance issues
- Specify a timeframe for issuing the communicate once noncompliance is identified (e.g. within XX days of identify noncompliance, the recipient will be notified)
- Allowing 60 days (09 NCAC 03M .0801(d)) for the recipient or subrecipient to take corrective action to address the noncompliance
- Provide technical assistance during the 60-day period
- When to notify OBSM for placement on the suspension list
- Actions to suspend recipient's payment
- When to notify the State Bureau of Investigation for possible criminal misuse of State

property
- How to retrieve unexpended funds

Closeout of Award

For awards with defined end dates, agencies should develop closeout procedures. This will assist the recipient to meet all the financial requirements. Closeout procedures should address submission of final performance and financial reports (5 points each) and return any unused public funds (5 points). 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.