

STATE OF VERMONT

AGENCY OF ADMINISTRATION

BULLETIN NO. 5

POLICY FOR GRANT ISSUANCE AND MONITORING

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I. PURPOSE AND POLICY

This Bulletin promulgates the policies and procedures governing the issuance and monitoring of grant awards issued by the State of Vermont.

Background: In 1990, the U.S. Office of Management and Budget (OMB) issued Circular A-133-*Audits of States, Local Governments, and Non-Profit Organizations* which imposed regulations pertaining to the issuance and monitoring of grant awards containing Federal funds. These regulations included requirements pertaining to Single Audits and specified responsibilities for States that issue subgrants of Federal funds to subrecipients. In 2003, the State of Vermont issued Bulletin 5-*Single Audit Policy for Subgrants* which set State policy regarding implementation of Circular A-133. In 2006, the State of Vermont issued Bulletin 5.5-*Policy for Issuing and Monitoring Grants of State Funds*. This policy extended and adapted many of the provisions of Bulletin 5 to non-Federally funded grants issued by the State of Vermont.

On December 26, 2013, OMB issued 2 CFR Chapter I, Chapter II, Part 200-*Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. The Uniform Guidance supersedes and streamlines requirements of seven OMB circulars, including Circular A-133, into a single guidance document. Numerous changes were made to the audit provisions section (found in Uniform Guidance Subpart F) and to awarding requirements (found in Uniform Guidance Subparts C and D).

This version of Bulletin 5 has been renamed *Policy for Grant Issuance and Monitoring* as it both incorporates relevant provisions of the Uniform Guidance and consolidates the former Bulletins 5 and 5.5 into a single grants management policy. This policy is not intended to replace any Federal regulation or policy, and if any discrepancies exist, the applicable Federal regulation or policy shall prevail.

Policy Statement: It is the policy of the State of Vermont that all distributions of funds classified in law as “grants”, or as defined in this policy, be issued, tracked and monitored by the state granting agency to ensure the proper use and protection of taxpayer resources in conformity with law, in compliance with all requirements of the Uniform Guidance as it pertains to the issuing and monitoring of Federally funded grants, and in accordance with the terms and requirements of the grant agreement.

Summary: Under this Bulletin it is required that granting agencies issue grant awards to eligible organizations using consistent procedures and grant agreement documents. A grant agreement document will include a Scope of Work to be Performed, Payment Provisions, Customary Provisions as well as any special conditions imposed by State or Federal granting agencies such as performance measures. An official standard grant agreement document will be maintained in the Bulletins section of the Agency of Administration website which may be used by State of Vermont granting agencies. In circumstances where a modified or non-standardized grant agreement is deemed necessary, the granting entity is responsible for having the agreement reviewed as to form by their in-house legal counsel or the Attorney General’s office and receive approval from the Commissioner of Finance and Management or designee.

All grant awards will be entered in the VISION Grant Tracking module on a timely basis and primary pass-through entities will also document review of single audits and other monitoring activities, as applicable, in the VISION Grant Tracking module.

Agencies are required to establish a written Granting Plan containing agency-specific procedures which detail granting and monitoring activities in accordance with the provisions of this policy. These plans must be approved by the Commissioner of Finance & Management or designee. Additionally, for specific classes of state grants exhibiting characteristics which cannot reasonably be accommodated within the

requirements of this Bulletin, the Commissioner may approve a written Granting Plan that provides an acceptable alternative to specific requirements of this Bulletin.

Primary pass-through entities will be assigned for subrecipients who are required to have Single Audits performed in accordance with the Uniform Guidance. These primary pass-through entities will be responsible for ensuring that the subrecipient's audit is conducted as required, for reviewing the audit and coordinating review among other State granting entities, and for following up on required action based upon audit findings, including issuing a management decision.

All agencies are required to comply with the standards set forth in this Bulletin which shall be in effect for all grants except those specifically excluded by the Secretary through a formal waiver request or by the approval of the Commissioner of Finance and Management in a Granting Plan.

Effective Date: December 26, 2014

II. ACRONYMS AND DEFINITIONS

As used in this policy:

A. ACRONYMS /ABBREVIATIONS

BGS: Department of Buildings and General Services

CFDA: Catalog of Federal Domestic Assistance

COSO: Committee of Sponsoring Organizations of the Treadway Commission

DUNS: Data Universal Numbering System (created by Dun & Bradstreet)

FAC: Federal Audit Clearinghouse

FFATA: Federal Funding Accountability and Transparency Act

F&M: Department of Finance and Management

GT Module: VISION Grant Tracking Module

R&D: Research and Development

OMB: Office of Management and Budget

SEFA: Schedule for Expenditure of Federal Awards

UG: 2 CFR Chapter I, Chapter II, Part 200-*Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* issued by OMB on December 26, 2013

B. DEFINITIONS

Agency means an agency, department, division, board or other administrative unit of the Executive Branch, including the elected constitutional offices as well as those having express statutory authority to enter into grants.

Appointing Authority means an agency head in accordance with Agency of Administration Bulletin 3.3, including those officers occupying appointive positions defined in 32 VSA 1003 (b). It includes the exempt deputies of agency secretaries and department commissioners, elective officers and their deputies who

head operating departments and heads of divisions, boards, committees and commissions not reporting to a department commissioner.

CFDA number means the Catalog of Federal Domestic Assistance identification number.

CFDA Title means the title of the federal program.

Conflict of interest means a pecuniary interest of an employee in the award or performance of the grant, or such an interest, known to the employee, by a member of his /her immediate family or household or a business associate. Additionally, every effort should be made to avoid the "appearance" of a conflict of interest in the granting process. An appearance of a conflict is anything that would lead a reasonable person to question whether this grantee was selected for improper reasons.

Contract means any legally enforceable agreement between an agency and another legal entity to provide services and/or products to the State or on the State's behalf. For the purposes of this Bulletin, an agreement funded with Federal funds but that does not meet the definition of a subrecipient relationship is considered a contract. (See [Subrecipient](#))

The term contract includes all such agreements whether or not characterized as a "contract," "grant award," "agreement" or other similar term. It does not include a legal agreement where the substance of the agreement meets the definition of a grant or subaward as defined in this Bulletin.

Contractor means an entity that received a contract as defined in this Bulletin.

Cooperative Agreement means a legal instrument of financial assistance between an agency (awarding agency) and a recipient (awardee) that is used to enter into a relationship with a principal purpose of transferring anything of value from the awarding agency to the awardee. A cooperative agreement is distinguished from a grant in that it provides for substantial involvement between the awarding agency and the awardee in carrying out the activity covered by the award. Certain provisions of the Uniform Guidance may not be applicable to a particular cooperative agreement.

Grant means a legally enforceable agreement between an agency (grantor) and a recipient (grantee or subrecipient) to carry out a program as defined in a grant agreement. It does not include payments to a contractor or payments to an individual that is a beneficiary of a program. When the grant is funded with Federal funds, the relationship between the State and the grantee must meet the definition of a subrecipient and the award is called a Subaward. (See [Subaward](#).)

Grantee means an entity that expends awards received from a grantor to carry out a purpose or a portion of a program; but does not include an individual that is a beneficiary of such program. When the grant is funded with Federal funds, the grantee is referred to as a Subrecipient. (See [Subrecipient](#).)

Grantor or Granting Agency means a State of Vermont entity that passes on funds classified in the law as "grants" to another entity to carry out a part of a State or Federal program. When the grant agreement contains Federal funds, the Grantor may be referred to as a Pass-Through Entity.

Loan means funds disbursed to a borrower under an agreement that requires the repayment of such funds with or without interest. When a loan contains Federal funds, it is subject to the same audit requirements as a Grant until such time as the repayment has been completed or the loan has been forgiven.

Non-Federal Entity means a State, local government, non-profit organization, or other entity that is not a Federal agency.

Primary Pass-Through Entity means the State of Vermont business unit assigned the responsibility for coordinating review of a subrecipient's Single Audit report and/or following up with a subrecipient who is delinquent in submitting the *Subrecipient Annual Report* to the Department of Finance and Management.

Products shall be broadly interpreted and includes equipment, materials, supplies, printing, and other commodities. The term applies to the lease and lease-purchase of equipment such as computers, copiers and/or other office machinery.

Recipient means a non-Federal entity that receives a Federal award directly from a Federal awarding agency to carry out a Federal program. The term does not include subrecipients.

Research and Development means all research activities, both basic and applied, and all development activities that are performed by a non-Federal entity.

Services shall be broadly interpreted and includes personal and professional services of an individual or of persons working for a business enterprise; construction services; design and engineering services; real estate services and the maintenance of equipment.

Single Audit means an audit of Federal awards conducted in accordance with OMB Circular A-133 or 2 CFR Chapter II, Subpart F.

Subaward means an award provided by a pass-through entity to a subrecipient to carry out part of a Federal program. It does not include payments to a contractor or payments to an individual that is a beneficiary of a Federal program. A subaward may be provided through any form of legal agreement, including an agreement that the pass-through entity considers a contract.

Subrecipient means a non-federal entity that receives a subaward from a pass-through entity to carry out part of a Federal program; but does not include an individual that is a beneficiary of such a program. A subrecipient may also be a recipient of other federal awards directly from a federal awarding agency. Guidance on distinguishing between a subrecipient and a contractor is provided in [Subrecipient/Contractor Determination](#).

Secretary means the Secretary of Administration.

Uniform Guidance means 2 CFR Chapter I, Chapter II, Part 200-*Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

III. Grant versus Contract

State of Vermont Bulletin 3.5-Contracting Procedures contains guidance to assist State of Vermont departments in determining when to issue a grant versus a contract. In addition, §200.330 of the Uniform Guidance provides guidance to determine whether a Federal award is a subrecipient relationship versus a contractor relationship. (See [Subrecipient/Contractor Determination](#).) Contracts are normally used to acquire specific, clearly defined services and/or products from entities or individuals other than State agencies or employees of the State. This includes situations where the State is seeking or is offered a service

or product for which it will not pay and may even acquire revenues, for example, wireless internet access at State facilities.

Grants are commonly issued for the direct support of persons and are also issued to organizations that perform public benefit activities with a high degree of independence. Grantees often adhere to programmatic requirements of the State or Federal program under which the grant is issued and are required to submit financial, programmatic and/or performance reports to the Granting Agency.

A grant agreement should only be used in the following circumstances:

- a. The principal purpose is to support or stimulate an activity that benefits an individual (or group) rather than the agency itself (or wards of the State), and there will be no substantial direct state oversight of the funded activity, other than providing guidance upon request, accumulating information on the progress/results achieved, and periodic financial, programmatic and performance monitoring of the program or activity.

AND

- b. When the grant contains Federal funds, it meets the definition of a subrecipient relationship as found in the Uniform Guidance.

OR

- c. Appropriated funds are characterized in the law or are designated in a grant agreement as “grants”, or designated by a grantor/funding organization as “grants.”

When a Granting Agency determines that an award meets the definition of a contract, the Uniform Guidance requires the Granting Agency to follow its procurement policy which, for the State of Vermont, is Bulletin 3.5. Therefore, the requirements and procedures of Bulletin 3.5 should be followed when issuing this type of agreement and the agreement itself should be issued as a contract rather than a grant award.

Granting and Contracting Plans: If a Granting Agency determines that certain categories of grants meet the definition of contracts and should always be issued under the policies and procedures of Bulletin 3.5, this should be noted in both the Bulletin 5 Granting Plan and the Bulletin 3.5 Contracting Plan, subject to approval. Likewise, if a category of contracts is determined to be in the State’s best interest to issue as grants, this should be noted in both the Bulletin 3.5 Contracting Plan and the Bulletin 5 Granting Plan, also subject to approval. Any “contract” issued as a grant award is subject to all provisions of Bulletin 5, including the monitoring provisions. (See [Granting Plan](#).)

IV. RESPONSIBILITIES

A. Grantor Responsibilities

A Grantor is responsible for the distribution of funds in a manner consistent with the State appropriations process and/or Federal regulations. It is the responsibility of the Grantor to determine if potential grantees are eligible to receive a grant award and to assess risk associated with the award (See [Pre-Award Eligibility Determination and Risk Assessment](#)); to properly develop and administer any formula associated with formula grants; to properly advertise, evaluate, and award discretionary grants and reimbursable grants; and to distribute pass-through and entitlement grants as required by law and state or federal regulations.

With the exception of pass-through grants, potential grantees should submit an application for funds which should be evaluated by the grantor. During the grant application process, the Grantor should inform potential grantees of all requirements of the grant award, including applicable state or federal regulations and insurance requirements. (See [Insurance](#))

For all grants subject to this policy, the Grantor must enter into a written grant agreement with the Grantee and enter information about this award into the VISION Grant Tracking (GT) module. This grant agreement must meet the requirements of Section V.E. of this policy. In circumstances where a modified or non-standardized grant agreement is deemed necessary, the grantor is responsible for having the agreement reviewed as to form by their in-house legal counsel or the Attorney General's office and receive approval from the Commissioner of Finance and Management or designee before grant issuance. (See [Section V.E.](#)) The Grantor must also monitor the Grantee's use of the funds in accordance with this policy and its own approved granting plan in order to ensure that grant funds were used for their intended purpose and that they were managed and reported properly by the Grantee.

1. Granting Plan

Each granting agency must have a written, approved, Granting Plan on file. This plan should include the basic elements as described in the [Bulletin 5 Granting Plan Supplement](#) and be approved by the Commissioner of the Department of Finance and Management or designee prior to the issuance of grant awards. Granting agencies must review their plans annually and either certify that the plan is current, or it must be updated and reapproved.

The Granting Plan should include detailed issuance and monitoring procedures for the various types of awards issued. If the granting agency issues specific classes of state grants exhibiting characteristics which cannot reasonably be accommodated within the requirements of this Bulletin, the Commissioner may approve a Granting Plan that provides an acceptable alternative to specific requirements of this Bulletin. The plan should be as detailed as appropriate to meet auditing requirements and to verify compliance with the standards of this Bulletin. "Adequate and appropriate" will depend upon the type of grants being awarded, the dollar amounts being awarded, and the organizational and financial conditions of the grantees involved, and approval is at the discretion of the Commissioner of Finance and Management.

Granting Plans may be written at the level deemed appropriate by the Granting Agency for its own operations. For example, an Agency may determine that a single Agency-level plan is appropriate when all departments/divisions of the Agency follow the same procedures. Conversely, a Department may have multiple Granting Plans if they have divisions which operate independently and a single Granting Plan would not be appropriate. Each Granting Plan should clearly state to which Agency, Department and/or Division the plan applies.

2. Additional Responsibilities for Federal Awards

As a recipient of Federal funds, the State of Vermont may issue contracts and/or subawards (as defined in this document) as part of their operation of Federal programs. Prior to issuance of an award containing Federal funds, the recipient is responsible for determining if the award meets the definition of a subrecipient or of a contractor. (See [Subrecipient/Contractor Determination](#)) *When the recipient determines the award meets the definition of a contract, the provisions of Bulletin 3.5 should be followed.* When the recipient determines the award is a subrecipient relationship, the grant agreement is referred to as a "subaward", the grantee is considered a "subrecipient", and the grantor is considered a "pass-through entity".

Subrecipient relationships impose additional responsibilities on pass-through entities. Per Uniform Guidance §200.331, pass-through entities must:

- a) Ensure that every subaward is clearly identified to the subrecipient as a subaward. (See [Specific Requirements for Subaward Agreements](#) for the required data elements for each subaward.)

- b) 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.
- c) Consider imposing specific subaward conditions upon a subrecipient, if appropriate.
- d) 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.
- e) Depending upon the pass-through entity's assessment of risk posed by the subrecipient, §200.331(e) identifies the following monitoring tools that may be useful to ensure proper accountability and compliance with program requirements and achievement of performance goals:
 - Providing subrecipients with training and technical assistance on program-related matters
 - Performing on-site reviews of the subrecipient's program operations
 - Arranging for agreed-upon-procedures engagements as described in §200.425 Audit services.
- f) Verify that every subrecipient with Federal award expenditures meeting the single audit thresholds of OMB Circular A-133 (for fiscal years beginning before December 26, 2014) or Uniform Guidance Subpart F (for fiscal years beginning on or after December 26, 2014) is audited accordingly. (See [Single Audit Requirements](#))
- g) Consider whether the results of the subrecipient's audits, on-site reviews, or other monitoring indicate conditions that necessitate adjustments to the pass-through entity's own records.
- h) Consider taking enforcement action against noncompliant subrecipients. (See [Sanctions](#))

3. Federal Funding Accountability and Transparency Act (FFATA)

In accordance with [Finance and Management Policy No. 8](#), and in addition to the requirements specified above from the Uniform Guidance, pass-through entities are responsible for complying with all requirements of the Federal Funding Accountability and Transparency Act (FFATA). Requirements include granting to organizations with a valid DUNS number, and reporting subawards in the FFATA Subaward Reporting System (FSRS).

4. Single Audit Review

Pass-through entities are required to monitor their subrecipients' compliance with subrecipient reporting requirements, including their submission of the *Subrecipient Annual Report* to the Department of Finance and Management (F&M) and, when required, verify that a single audit was performed. When a single audit is required, the pass-through entity must receive and review a copy of this report, follow up on single audit findings, and document their review and monitoring activities in the GT module in accordance with the policies and procedures set forth by F&M. (See [Single Audit Review](#))

B. Grantee Responsibilities

A grantee is responsible for performing the services or activities described in the grant agreement and meeting all performance measures within the timeframe designated by the award. It must ensure that when performing those services or activities, it complies with all of the requirements of the grant agreement. A grantee should have a system for managing the grant activities and must be able to demonstrate that the funds were spent on allowable activities and in accordance with grant requirements. A grantee will produce programmatic and financial reports as required by the grant agreement and provide supporting documentation if required.

The grantee must also ensure that it complies with all terms and conditions of the grant agreement, including any public policy requirements. Those requirements may include state or federal requirements and may also include additional requirements imposed by the grantor. To ensure compliance, the grantee should establish and maintain internal policies and properly train its staff.

1. Additional Responsibilities for Subrecipients

A subrecipient must ensure that it complies with all Federal programmatic and financial requirements that are passed down from the grant agreement between the Federal awarding agency and the pass-through entity. To ensure compliance, the subrecipient should establish internal policies and procedures and properly train its staff in all Federal requirements. It should establish an accounting system that allows it to trace Federal expenditures to demonstrate that the funds were spent properly and that matching funds or in-kind are properly documented.

DUNS: At the time of grant execution, subrecipients must provide the pass-through entity with a valid D-U-N-S number. The D-U-N-S Number is a unique nine-digit identification number assigned and maintained solely by Dun & Bradstreet (D&B). D-U-N-S Number assignment is free for all businesses required to register with the US Federal government for contracts or grants. Created in 1962, the Data Universal Numbering System or D-U-N-S® Number is D&B's copyrighted, proprietary means of identifying business entities. Registration can be requested at: <http://fedgov.dnb.com/webform/displayHomePage.do>.

Internal Controls: Subrecipients will establish and maintain effective internal control over Federal awards that provides reasonable assurance that they are managing them in compliance with Federal statutes, regulations, and the terms and conditions. These internal controls should be in compliance with the guidance in "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United States and the "Internal Control Integrated Framework", issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Subgranting: Subrecipients may pass through funds they receive to their own subrecipients only with prior written approval of the pass-through entity. They must advise their subrecipients of requirements imposed on them by federal laws, regulations, and the provisions of contracts or grant agreements as well as any supplemental requirements imposed by the pass-through entity. They must also set up a plan for monitoring those subrecipients' use of the funds in accordance with Subpart F of the Uniform Guidance.

V. Grant Agreements

Grant agreements must be in writing and must outline all requirements of the award including services to be rendered, authorized amount, payment provisions, reporting requirements, performance measures, Federal regulations, and any other requirement necessitated by accepting the grant. All grant agreement documents must be issued in accordance with Paragraph E of this section.

A. Grant Classifications

The following describe the various types of grant awards issued by State of Vermont granting agencies. These awards may be funded with State funds, with Federal funds, or with a combination of State and Federal funds.

Cooperative Agreements: Funds may be distributed based upon the terms of a Cooperative Agreement between a Federal granting agency and the State. Terms and conditions of these awards must adhere to the requirements of the agreement between the Federal awarding agency and the State which may not meet all of the requirements of this Bulletin. However, these agreements must be in writing and must meet the requirements of this Bulletin to the extent possible. These awards are known as “cooperative agreements”.

Discretionary Grants: Funds may be distributed based on the discretion of the granting agency. In such cases, potential grantees apply directly to the granting agency and are selected to receive funds, often in a competitive environment. Such grants are considered “discretionary grants”.

Entitlement Grants: Certain payments are required by statute as reimbursement, in whole or in part, for services that are mandated to be provided to eligible populations, such as special education services. As such, funds are distributed to grantees based upon statute whereby prior application or review by the state granting agency is not required. This type of grant award is usually funded with State funds only. These grants are known as “entitlement” grants.

Formula Grants: Funds may be distributed as part of a mandated formula whereby parameters are established by the General Assembly, by State or Federal regulation, or by the terms and conditions of a grant award between the State and Federal government. Available funds are distributed to a set population for a specific purpose following these parameters. Such grants are considered “formula grants.”

Pass-Through Grants: Funds may be directly designated for an entity or group of recipients by the General Assembly or via a Federal award to a State Granting Agency. These funds are usually passed through without submission of a grant application or other competitive awarding process. These grants are known as “pass-through” grants.

Reimbursement Grants: Funds are distributed as a reimbursement of actual expenses incurred or services provided by the grantee in the performance of program functions outlined in the grant. In these cases, applicants apply to the granting agency and are awarded a set amount which is the maximum limiting authority to spend. As long as it can be demonstrated that the funds have been properly expended, the granting agency will authorize reimbursement to the grantee. (It should also be noted that the payment mechanism for other grant types described in this section may also be on a reimbursement basis.) These grants are known as "reimbursement" grants.

1. Federal Loans

Although federally funded loans are not technically grants, the Federal government considers itself at risk until the debt is repaid. Therefore, Uniform Guidance §200.502(b) places audit requirements on these agreements by passing on all single audit requirements to loan recipients. For this reason, federally funded loan agreements must include the audit requirements of Subpart F in the loan agreement and they must be entered in the VISION GT module as if they were a grant agreement.

2. Fiscal Agents

Many small organizations (i.e. coalitions or community groups) use a fiscal agent to process financial transactions on their behalf since they lack the staff and/or capability to perform these functions themselves. These small organizations may be ongoing organizations or those created for a specific short-lived purpose but they usually do not have a federal tax identification number, DUNS number, VISION vendor number, etc. When issuing a grant to an organization utilizing a fiscal agent, the granting agency must designate a single official grantee to be legally responsible for the award. The official grantee is the

vendor to whom payments will be made and the fiscal agent is most often designated as this official grantee with the coalition/community group identified as a partner or subgrantee on the award.

If responsibilities are to be split between both organizations (i.e. fiscal agent is responsible for financial management and coalition/community group is responsible for programmatic management), this should be stated in the agreement; although it should be made clear that the official grantee is ultimately responsible for all activities. Often, fiscal agents are unaware that they bear any responsibility for the awards that they manage on behalf of another organization so it is important that all parties are aware of their responsibilities before the grant is executed. At a minimum, the grant agreement must be signed by the official grantee and if responsibilities are to be split, it should also be signed by the coalition/community group.

If the grant agreement is a subaward, the official grantee bears all responsibility for requirements relating to subawards, including audit requirements. Therefore, if a fiscal agent is designated as the official grantee, the award must be included in their calculation when it is determined if they require a single audit.

B. Pre-Award Eligibility Determination and Risk Assessment

Unless prohibited by statute or regulation, and prior to the issuance of a grant award, State of Vermont granting agencies must determine if each potential grantee is eligible to receive an award and shall not issue an award to an ineligible organization. In addition, Uniform Guidance, §200.205(b), requires Federal agencies to review risk imposed by applicants prior to issuance of new competitive grants and cooperative agreements; the State of Vermont has adopted similar requirements for grant awards it issues, regardless of funding source. These requirements are applicable to all classifications of grants.

The following guidelines should be used:

Eligibility Determination

Using the criteria below, organizations that are deemed ineligible to receive grant awards may not receive an award from the State of Vermont until such time as eligibility has been restored. Eligibility must be determined by the granting agency for all grant awards, regardless of category, amount, or funding source. Refer to Bulletin 5 Procedure #1 - Pre-Award Eligibility for more specific guidance.

- Suspension and Debarment: In accordance with Finance & Management Policy #1, organizations that have been suspended or debarred by the Federal government are *ineligible* to receive new grant awards of any amount from the State of Vermont, regardless of funding source.
- Subrecipient Annual Report: Organizations that are currently delinquent in submission of the *Subrecipient Annual Report* to F&M for any of the preceding three years are *ineligible* to receive new awards, regardless of funding source, until the delinquent status has been resolved. A VISION query is available to monitor this status.
- Single Audit Report: Organizations that are currently delinquent in submission of a Single Audit report for any of the preceding three years are *ineligible* to receive new awards, regardless of funding source, until the delinquent status has been resolved. A VISION query is available to monitor this status.

Risk Assessment

The risk associated with a potential grant award should be assessed by the grantor prior to grant issuance and grantors should avoid issuing awards to organizations categorized as high-risk. If a grantor feels that it is in the State's best interest to award a grant to an organization that is considered high-risk, written justification for the award must be included in the official grant file which must be approved by

the Appointing Authority. The award must also be issued on a reimbursement basis and additional monitoring requirements must be placed on the award. These additional monitoring requirements may include frequent programmatic review, frequent financial reporting, site visits, etc. When a grant award includes special conditions or additional requirements, these must be clearly specified in the grant award document.

Items to consider when assessing risk may include the following:

- Compliance with terms and conditions of prior grant awards
- Total amount and/or complexity of the award
- Financial stability of the organization
- Recent incidences of fraud, embezzlement, or mismanagement
- The results of prior audits, including Single Audits, when applicable
- Prior experience with similar awards
- Current staffing levels and qualifications

The methodologies used by the grantor to assess risk must be described in its Granting Plan. It is recommended that granting agencies use a standard risk assessment process for all awards they issue. Documentation of each risk assessment must be included in the official grant file and Appointing Authority approval must be included for all awards issued to high-risk organizations. A sample risk assessment tool is included in [Appendix VI](#). Granting agencies may develop their own risk assessment tool to meet their programmatic needs.

Amendments: A full risk assessment is not required for amendments, however, the granting agency should assess if anything has changed since the initial risk assessment that could potentially put the funds at risk. Such changes might include the release of an audit report containing findings, recent evidence of fraud or mismanagement, etc.

At the discretion of the Commissioner of Finance and Management, provisions of this section may be waived on a case-by-case basis pursuant to a written request from an Appointing Authority. The written request must describe in detail the basis and justification for the waiver request.

C. Subrecipient/Contractor Determination

When a grant award contains Federal funds, the granting agency must determine if the grantee's relationship with them is that of a subrecipient or of a contractor. Non-Federal entities may concurrently receive Federal awards as a recipient, a subrecipient, and a contractor, depending on the substance of its agreements with Federal awarding agencies and pass-through entities. When issuing Federal subawards, pass-through entities must make case-by-case determinations whether each agreement casts the party receiving the funds in the role of a subrecipient or of a contractor per the guidelines in §200.330 of the Uniform Guidance. Federal awards expended as a subrecipient are subject to the audit requirements of OMB Circular A-133 and Subpart F of the Uniform Guidance, the grantee is required to submit the *Subrecipient Annual Report* to F&M, and the award may be subject to additional reporting requirements. The payments for goods or services provided as a contractor are not considered Federal subawards and are not subject to the reporting or audit requirements inherent with subrecipient awards.

1. Basic Considerations

a) Subrecipient: A subrecipient is defined by the Uniform Guidance as "a non-Federal entity that receives a subaward from a pass-through entity to carry out a Federal program; but does not include an individual that is a beneficiary of such a program." A subrecipient may also be a direct recipient of federal awards under

other agreements or programs. For example, a nonprofit organization may be considered a recipient, a pass-through entity, a subrecipient, and/or a contractor under different federal award programs.

A subaward is for the purpose of carrying out a portion of a Federal award and creates a Federal assistance relationship with the subrecipient. It does not include payments to a contractor (as **described** below) or payments to an individual that is a beneficiary of a Federal program.

b) Contractor: A contractor is defined by the Uniform Guidance as “an entity that receives a contract as defined in §200.22 Contract.” A contract is defined as “a legal instrument by which a non-Federal entity purchases property or services needed to carry out the project or program under a Federal award.” It is for the purpose of obtaining goods and services for the non-Federal entity’s own use and creates a procurement relationship with the contractor.

2. General Characteristics

Uniform Guidance, §200.330, identifies the characteristics below to describe subrecipient and contractor relationships. These characteristics should be considered when determining whether an agreement constitutes a Federal subaward to a subrecipient or a contractor payment for goods and services.

Subrecipient	Contractor
Determines who is eligible to receive what Federal assistance	Provides the goods and services within normal business operations
Has its performance measured in relation to whether objectives of a Federal program are met	Provides similar goods or services to many different purchasers
Has responsibility for programmatic decision making	Normally operates in a competitive environment
Is responsible for adherence to applicable Federal program requirements specified in the Federal award	Provides goods or services that are ancillary to the operation of the federal program
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	Is not subject to compliance requirements of the Federal program as a result of the agreement, though similar requirements may apply for other reasons

All of the characteristics listed above may not be present in all cases and the pass-through entity must evaluate the features of each agreement individually to determine whether it appears more like a contract or a subaward. *The substance of the relationship is more important than the form of the agreement and the pass-through entity must use judgment in classifying each agreement as a subaward or a procurement contract.*

The following expands upon the guidance provided in the Uniform Guidance by including examples that further describe each characteristic. The examples provided below are not intended for use as a checklist or to replace the need for professional judgment. Pass-through entities must evaluate each arrangement on its own merits. (In the chart below, the grantee is referred to as a “subrecipient” in the Subrecipient column and as a “contractor” in the Contractor column although the official agreement in either case may be in the form of a grant agreement or of a contract regardless of the relationship.)

Characteristic	Subrecipient	Contractor
Determines client eligibility	Determines whether a client meets a program's eligibility requirements for assistance under that program	If contractor works with clients, they provide services regardless of eligibility status, or the eligibility is determined by someone outside of the grantee's organization
	Determines under which subaward or program a client's activities are charged based upon their eligibility for the program	Contractor bills the granting agency for services provided regardless of funding source and/or may bill a third party for services performed (i.e. medical provider billing for Medicaid services)
Performance is measured	Responsible for meeting performance targets tied to program objectives	Performance measures and progress reports are tied to deliverables rather than program objectives
	Required to submit progress reports or explanations for variances relating to program objectives and/or fund maximization	Projected costs and/or rates are agreed upon up front and actual costs to the grantee are not usually monitored or reported
	Granting agency may issue sanctions if program objectives are not met	Granting agency may restrict payments if deliverables are not met
	May be required to submit a closeout package at the end of the agreement, including financial and programmatic reporting.	Financial and programmatic reporting are not generally required but final payment is usually contingent upon completion or receipt of all deliverables
	May be responsible for meeting expenditure targets to minimize program funding	
Programmatic Decision Making	Subrecipient has latitude to make decisions within the terms of the agreement	Contractor is directed by the granting agency as to the goods or services it will provide
	Subrecipient may make policy or operational decisions about how the organization will carry out the program	Contractor is not authorized to make programmatic decisions and is generally responsible only for providing the good or service to the granting agency
	Subrecipient may make decisions regarding the appropriate assistance for a particular client	Contractor provides services to specific clients within the context of its agreement with the granting agency
Adherence to applicable Federal program requirements	Granting agency holds the subrecipient responsible for compliance with applicable program statutes, regulations, rules, policies and guidance	Contractor is responsible for providing the good or service to the granting agency without regard to Federal program requirements
	Subrecipient may receive technical assistance or training from the granting agency relating to program requirements	Granting agency does not provide technical assistance or training
	Granting agency monitors the subrecipient for compliance with applicable program requirements	Contractor is not responsible for compliance with program requirements
Funds are used for a public purpose versus for goods and services	Subrecipient uses funds to carry out a program for a public purpose specified in authorizing statute	Contractor provides goods or services for the granting agency's own use and creates a procurement relationship
	Subrecipient performs all or a portion of the scope of work or objectives of the award received by the granting agency	Contractor provides similar goods or services to many different purchasers
	Subrecipient's role requires more than dealing, distributing or selling goods or services that support a program	Contractor provides the goods and services within normal business operations

Characteristic	Subrecipient	Contractor
Competition for award	A funding opportunity is usually announced by the granting agency and multiple organizations may compete for subawards. It is common for subawards to be issued to multiple subrecipients to the extent that funds are available	Solicitation for a contract uses a competitive RFP process and contracts are usually awarded to a single bidder
	Subawards may or may not have a competitive selection process	Contractors work in a competitive environment and lowest cost is often a factor in selection of winning bidder
	Selection of subrecipient often considers the organization's financial need to carry out a project or provide the service	Selection of contractor considers the organization's capability to deliver the goods or services that meet the granting agency's needs
Budget, funding and expenditures	Granting agency approves budget for the project in advance and is required to approve modifications	The agreement does not usually include a line item budget but is based on approved rates or charge per deliverable
	Subrecipient is required to report actual expenditures incurred as compared to the approved budget and may be required to provide copies of invoices or other backup documentation to the granting agency	Contractor is not usually required to report actual costs to granting agency
	Payment is usually based upon actual expenditures incurred as compared to the approved budget	Payment provisions are more likely tied to agreed upon rates or charge per deliverable
Are the goods or services necessary or ancillary to the operation of the program?	Subrecipient may run all or a portion of the program for the granting agency	Goods or services provided assist the granting agency in running their program but do not actually run a portion of the program for the granting agency
	Services provided are programmatic in nature and are within the allowable activities of the program	Goods or services provided to the granting agency enable the granting agency to operate (i.e. office supplies, janitorial services, staff development, etc.)

D. Performance Management

All grants, whenever practicable, regardless of funding source, should include performance goals, measures and monitoring. All performance related requirements, including reporting requirements, must be specified in the written grant agreement. If payment is linked to performance measures, this must be specified in the Payment Provisions.

E. Drafting the Grant Agreement

It is recommended that granting agencies utilize standard grant agreement document formats such as those found in [Appendix I](#). They must include the standard Grant Award Detail document (Grant Agreement Part 1) and Multi-Use Attachment C. When the complexity or other aspects of a grant agreement dictate use of other than the standard State Grant Agreement Part 2 format, a granting agency must ensure that all the terms contained in the Standard Grant Agreement and its Customary Provisions, or suitable substitute provisions, are utilized. Non-standard grant agreements must have the approval of in-house legal counsel or the Attorney General's Office and the Commissioner of the Department of Finance & Management, or designee.

Without the prior written permission of the Department of Human Resources, a grant agreement cannot restrict the ability of the grantee to hire state employees.

1. Mandatory Requirements for All Grant Agreements

Grant agreements must be in writing and must:

- a) Describe the scope of services to be performed or products to be delivered by the grantee, including the schedule for performance and applicable standards by which the grantee's performance will be measured;
- b) Specify a maximum amount of money to be paid by the State under the grant and identify the source(s) of funding for the award, (e.g., General Fund, Federal Fund, etc.);
- c) Describe the payment provisions, including a description of how, when, and for what the grantee will be paid. If performance measures are tied to payment provisions, this must be clearly stated;
- d) Describe all programmatic, performance, and financial reporting requirements;
- e) Be assigned a unique Grant Agreement Number that will consist of the VISION Business Unit as a prefix, followed by a unique award number up to a maximum of 30 total characters (i.e. 05100-0001);
- f) Meet the formatting requirements of this Bulletin;
- g) When a grant extends for more than one page, each page should be numbered sequentially and the total number of pages should be noted on each page, (e.g., "Page 3 of 6").

2. Standard Grant Agreement Format

Standard grant agreement formats should be used:

- **Standard Grant Agreement Part 1** (Required): This document is a standard format containing the financial details of the award along with many of the elements required by the Uniform Guidance for Federal subawards. This standard document must be included in all awards, regardless of dollar value or funding source, and should not be modified. This document is found on the Department of Finance and Management's website and in [Appendix I](#).
- **Standard Grant Agreement Part 2**: This document provides a narrative overview of the award as well as containing the signatures of both the granting agency's appointing authority and the grantee. Granting agencies may modify this portion of the agreement with approval of their in-house legal counsel and/or the Attorney General's office. The standard agreement format is found in [Appendix I](#).
- **Attachment A**: This document contains a detailed scope of work and should outline all of the requirements and deliverables of the award, including performance measures. The format of this document may vary depending upon each award, and its terms may be included with Grant Agreement Part 2 for smaller grants. Suggested items to include are found in [Appendix II](#).
- **Attachment B**: This document contains the payment provisions. Its format may vary at the granting agency's discretion and its terms may be included with Grant Agreement Part 2 for smaller grants. Suggested provisions of this document are found in [Appendix III](#).
- **Multi-Use Attachment C** (Required): This document contains all standard, mandatory, grant provisions. It must be used on all agreements, regardless of total amount or funding source, and should not be altered without the prior approval of F&M and the Attorney General's Office. The Standard Provisions contained in Attachment C are designed to: meet all statutory requirements; enable legal enforcement of the agreement; and provide protection to the State, its contractors,

grantees and subrecipients. Unauthorized changes to Attachment C, while well intentioned, are prohibited as they may place enforcement and protection at risk. If you have additional provisions which need to be included in a grant agreement, they should be included in Attachment D. A sample Attachment C is found in [Appendix IV](#), but departments should access the most recent version from the BGS Purchasing Division's website.

- **Attachment D:** This document is optional and is where additional terms and conditions, specific to the award or program, should be identified. Sample provisions are found in [Appendix V](#).

Format Based Upon Size of Award

- **For grants in excess of \$25,000**, all standard documents and attachments as described above should be included.
- **For grants of \$25,000 or less**, a simplified grant format may be utilized consisting of Grant Agreement Part 1, a narrative grant agreement which contains the essential terms, and Multi-Use Attachment C. The essential terms are the statement of work to be performed or products to be purchased, payment provisions, performance measures, reporting and monitoring requirements, etc.

For grants with other State agencies, agreements may be in a *Memorandum of Understanding*, *Letter of Agreement* or other similar format. This document must include, at minimum, all mandatory items contained in [Paragraph 1](#) of this section. Grant Agreement Part 1 is optional for non-Federal awards to other State agencies, but is required for Federal subawards. Multi-Use Attachment C is not required for grants to other State of Vermont agencies or departments.

Although a simplified format may be used for a grant to another State agency, the Grantor still has the responsibility of monitoring and oversight of these awards to ensure that the funds were expended for their intended purpose, that all performance measures were attained, and that all State and Federal programmatic requirements were met. If the award is a Federal subaward, the Grantor must also make a subrecipient versus contractor determination.

*Note: A Memorandum of Understanding may **only** be utilized for agreements between State of Vermont agencies/departments or for agreements with other organizations if **funds are not being committed**.*

3. Insurance

When issuing a grant agreement to an organization that is not a State of Vermont agency or department, insurance is required to protect the State's interests. Standard insurance coverage provisions are included in Multi-Use Attachment C and are intended to cover most of the situations encountered. However, there may be a need for additional types of insurance, depending on the circumstances, e.g. professional liability insurance, and/or for higher insurance limits when relatively dangerous or hazardous activities are contemplated. Agencies should consult with the Director of Risk Management for guidance in such instances.

Insurance Waivers: There may be instances in which insurance limits may be reduced or eliminated altogether from the grant agreement. Such modifications, however, may only be undertaken with a waiver approved at the discretion of either the Director of Risk Management or the Attorney General. A [Request To Modify Insurance Requirements](#) form is published on the Finance and Management website. Granting agencies should complete and submit this form to the Division of Risk Management on behalf of potential grantees, as necessary.

4. Specific Requirements for Subaward Agreements

Uniform Guidance §200.331(a) requires that all subawards must be clearly identified as subawards. This means that if a grant agreement containing Federal funds is considered a subrecipient agreement, the grant agreement must clearly identify it as such and must clearly state all of the requirements inherent with a subrecipient agreement, such as Federal programmatic requirements and the requirement to have a Single Audit.

The Uniform Guidance requires the following mandatory elements be included on each subaward agreement:

- a) Subrecipient name (which must match registered name in DUNS);
- b) Subrecipient's DUNS number (see Uniform Guidance §200.32 Data Universal Numbering System (DUNS) number);
- c) Federal Award Identification Number (FAIN) (The award number assigned by the Federal granting agency in its award to the State of Vermont from which funds are being subawarded);
- d) Federal Award Date (The date when the Federal award to the pass-through entity is signed by the Federal awarding agency);
- e) Subaward Period of Performance Start and End Dates;
- f) Amount of Federal Funds Obligated by this action;
- g) Total Amount of Federal Funds Obligated to the subrecipient;
- h) Total Amount of the Federal Award (total amount of award issued by Federal awarding agency to the pass-through entity);
- i) Federal award project description (required to be responsive to the Federal Funding Accountability and Transparency Act);
- j) Name of Federal awarding agency, pass-through entity, and contact information for awarding official;
- k) CFDA Number and Name - The pass-through entity must identify the dollar amount made available under each Federal award and the CFDA number at time of disbursement;
- l) Identification of whether the award is R&D;
- m) Indirect cost rate for the Federal award (see [Indirect Cost Rates](#) below);
- n) All requirements imposed by the pass-through entity on the subrecipient so that the Federal award is used in accordance with Federal statutes, regulations and the terms and conditions of the Federal award;
- o) Any additional requirements that the pass-through entity imposes on the subrecipient in order for the pass-through entity to meet its own responsibility to the Federal awarding agency including identification of any required financial and performance reports;
- p) A requirement that the subrecipient permit the pass-through entity and auditors to have access to the subrecipient's records and financial statements;
- q) Terms and conditions concerning closeout of the subaward.

Indirect Cost Rates: Subawards must include an indirect cost rate unless the subrecipient is able to direct charge 100% of the costs or if the subrecipient chooses not to include one. When an indirect rate is

included, it must be an approved federally recognized indirect cost rate negotiated between the subrecipient and the Federal government or, if no such rate exists, either a rate negotiated between the pass-through entity and the subrecipient, or a de minimis indirect cost rate of 10%. It is also important to note that indirect rates may be subject to statutory caps of the Federal program which supersede the requirements of the Uniform Guidance.

A de minimis rate may only be used by those subrecipients that have *never had an approved indirect rate* in the past. It may not be used by State and Local Governments (including school districts). A de minimis rate may be used indefinitely until such time as the non-Federal entity chooses to negotiate a rate.

Indirect rate approval is for a period of one year but the non-Federal entity may apply for an extension for a period of up to four years upon which the rate must be submitted for renegotiation and approval. Extension periods may be less than four years but if an extension has been approved, the non-Federal entity may not submit an indirect cost rate proposal until the extension period has expired.

The requirement to apply an indirect rate applies to Federal funds as specified in the terms and conditions of the award. Therefore, when a subaward contains a mix of federal and non-federal funds, the indirect rate is only required to be applied toward the federal share of the award, however, this should be specified in the grant award document so that it is clear to all parties how the rate will be applied. Indirect rates are not required for awards funded entirely with state funds.

The Uniform Guidance grants the ability of pass-through entities to review and approve indirect cost rate proposals submitted by their subrecipients, but they are not required to do so. If a pass-through entity elects to review and approve a subrecipient's indirect cost rate proposal, it must adhere to the requirements of Uniform Guidance Appendices III through V, depending upon the type of organization submitting the proposal. It is not permissible for pass-through entities to force or entice a subrecipient without a negotiated rate to accept less than the de minimis rate.

5. Prior Approvals

An agency that wishes to obtain prior approval of a grant agreement from the Attorney General may do so at its discretion.

VI. GRANT EXECUTION, REQUISITE FILINGS, AND RECORDS

A. Execution

Grant agreements must be signed by the appropriate Appointing Authority or his/her designee, consistent with Agency of Administration Bulletin 3.3 relating to signature authorizations. A grant agreement will not be executed until copies of all required insurance certificates have been submitted to the granting agency, or a [Request To Modify Insurance Requirements](#) form has been approved. Electronic signatures and copies of insurance certificates are permissible.

B. Filings

After a grant agreement has been fully executed, the granting agency should deliver a copy of the entire agreement, as executed, to the grantee.

C. VISION Grant Tracking Module

All grants must be entered into the VISION Grant Tracking module within 10 days after grant execution. Entry in VISION should be in accordance with procedures and requirements as set forth by F&M.

If a grant agreement is issued to an organization utilizing a fiscal agent, the agreement is entered under the official grantee's vendor number which is also the vendor to which payments may be made. Although federally-funded loans are not considered grants, they must be entered in the GT module as if they were a grant in order for proper subrecipient reporting and monitoring to take place.

Required GT module information includes, but is not limited to, granting agency business unit, grantee's vendor information, grant number, grant title/description, beginning and ending dates of the performance period, funding source(s) and amount(s), indication if award contains performance measures, indication if award is subject to subrecipient requirements, etc. If a grant award is subsequently amended, amendment information must also be entered.

D. Grant File

A granting agency must maintain an up-to-date grant file that is an official public record. Granting agencies must keep award-related documents on file as public records in accordance with the records retention policy established by the Vermont State Archives and Records Administration, **GRS-1000.1110: Grants Management Records**. If the records pertain to a Federal subaward, and Federal regulations require a longer retention period, the Federal regulations will supersede GRS-1000.1110. Grant files may be kept electronically.

The following must be maintained in the official grant file:

- The signed original grant agreement, all amendments to the original agreement, and copies of all written correspondence pertaining to the award. (For the purposes of this Bulletin, written correspondence includes electronic communication such as e-mail);
- Grant application, including staff analysis of application when award is competitive in nature
- Pre-Award Risk Assessment documentation;
- Suspension and Debarment certification/documentation, if it is separate from the grant agreement itself;
- Insurance certificates and/or approved Request To Modify Insurance Requirements form;
- All financial, programmatic, and performance reports required to be filed by the grantee;
- Documentation of monitoring activities performed by the granting agency, including audit reports and documentation of single audit review, when applicable.

Note: If the granting agency executes multiple grant agreements with the same grantee, documentation of monitoring activities may be filed in a comprehensive vendor file rather than in each individual grant file, but reference to the vendor file must be included in each grant file.

Invoices and payment documentation must be filed in accordance with VISION Procedure No. 2-VISION Records Retention Procedure and is not required to be included in the Grant File.

VII. PAYMENTS

Grant payments are made through the VISION Accounts Payable module subject to procedures established by F&M. The invoice number on the VISION voucher must contain the grant award number which must match the grant number as entered in the GT module. The original invoice from the grantee will be retained in the granting agency's files in accordance VISION Procedure No. 2-VISION Records Retention Procedure. Payments may only be made to the official grantee for the award. Therefore, if a grant agreement is made to an organization utilizing a fiscal agent, payment may only be made to the party designated as the official grantee. (See Section V.A.2. [Fiscal Agents](#))

If the grant award is a Federal subaward, the Federal share of the payment must also use a Class Code of **00001** to identify it as a subrecipient payment. If the granting agency requires greater detail in the subrecipient coding, additional Class Codes may be used in the **0XXXX** range of numbers. When an award is funded with a combination of state and federal funds, The Class Code is only required to be used for the Federal share of the payment, though it is permissible to use it for all payment rows. If a federal grant has been identified as a contractual relationship, the Class Code is not required.

1. Timing of Payments

Payments will be made to grantees based on the payment provisions outlined in the grant agreement which may vary depending upon the category of the grant award. Although advance payments are allowed for both State and Federally-funded awards, these payments should be made in amounts that minimize the time elapsing between the transfer of funds and the disbursement by the grantee for expenditures related to the functions covered by the grant agreement. Payments should be made upon receipt of a written request for payment from the grantee. In the case of reimbursable grants or those that are contingent upon completion of performance measures, these requests should be accompanied by reports or other documentation supporting the payment request. The payment schedule must be outlined in the payment provisions section of the grant agreement which must also specify the reports or other documents necessary in order to generate payment.

The UG requires advance payments for Federal subawards, provided the subrecipient demonstrates the willingness to maintain written procedures that minimize the time elapsing between the transfer of funds and disbursement of those funds and must be limited to the minimum amounts needed to be timed to be in accordance with the actual, immediate cash requirements of the subrecipient. The timing and amount of advance payments must be as close as is administratively feasible to the actual disbursements for direct program or project costs and the proportionate share of allowable indirect costs. If a subrecipient is unable to meet the requirements for advance payments, they should be paid on a reimbursement basis. Reimbursement payments for Federal subawards must be made within 30 calendar days after receipt of the billing, unless the request is believed to be improper.

VIII. MONITORING

Grantors must monitor their grantees' use of the funds associated with grant agreements for the purpose of ensuring that grants are spent for their intended purpose, that the terms and conditions of the agreement are met, and that the grant is executed by the grantee in accordance with state and federal regulations. When grant agreements contain Federal funds, additional monitoring requirements exist.

A. General Considerations

Before selecting the best monitoring tool for a particular grantee, there are several factors a granting agency should consider. First, it should determine the purpose of the monitoring activity and the risk of noncompliance associated with the grantee. Additionally, the granting agency should assess its available monitoring resources. When determining monitoring procedures the granting agency should consider the following:

- Size of the grant – it should balance the cost of monitoring the grantee against the size of the grant and the percentage of the granting agency's total awards;
- Type of organization – it should consider which monitoring practices are best for a particular type of grantee (community organization, local government, non-profit, school district, etc.);
- Complexity of compliance requirements – a more complex program usually will require more monitoring because there is a greater chance of noncompliance with at least some of the program requirements;

- Grantee’s prior experience – an important factor to consider is an organization’s experience with administering grants. A grantee that has successfully administered the same program for several years may require less monitoring. Conversely, an organization receiving a new grant may need more intensive oversight and monitoring, including monitoring during the award period;
- Grantee’s prior monitoring results – if a granting agency has had problems with a grantee in the past, it should consider using a more intense level of monitoring;
- The results of the Pre-Award Risk Assessment;
- Grant payment procedures – if payments are deferred until the project is complete, less intensive monitoring may be acceptable;
- The performance measures, if any, included in the Grant Agreement.

B. Monitoring of State-Funded Grants

Granting agencies must monitor all state-funded grants they issue for the purpose of verifying that funds were expended for their intended purpose and that all of the terms and conditions of the award were met. Various methods of monitoring may be used, depending upon the classification and the parameters of the grant award. The Granting Plan should describe the general monitoring activities that will be undertaken for each classification of grant. Documentation of all monitoring activities and correspondence related to monitoring should be maintained in each official Grant File (or in a vendor file if a granting agency issues multiple grants to the same grantee.)

1. Recommended Monitoring Activities

The following monitoring activities are recommended for non-Federal grants, although they may not all be appropriate or necessary for every award.

- a) Desk review of grantee’s financial and program reports;
- b) Review of backup documentation such as invoices, payroll registers, time and effort reports, etc. These reviews may be performed on-site or as part of a desk review;
- c) On-site monitoring of financial and programmatic requirements. On-site visits can be very effective when both financial and programmatic review occur simultaneously, fostering a coordinated and comprehensive review of the grantee. Many granting agencies establish a rotating cycle, visiting each grantee once every two or three years as a means of efficiently using often limited monitoring resources.

C. Subaward Monitoring

The Uniform Guidance places specific monitoring requirements on pass-through entities. Pass-through entities are required to monitor the activities of subrecipients to ensure that subawards are used for authorized purposes, are in compliance with Federal statutes, regulations, and the terms and conditions of subawards; and that subaward performance goals are achieved.

Pass-through entities are required to evaluate each subrecipient’s risk of noncompliance with Federal statutes, regulations, and the terms and conditions of subawards for purposes of determining the appropriate subrecipient monitoring. This evaluation may include consideration of such factors as:

- The subrecipient’s prior experience with the same or similar subawards;
- The results of previous audits including whether or not the subrecipient receives a Single Audit, 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).

Pass-through entities should also consider the results of their Pre-Award Risk Assessment when deciding which monitoring activities it will undertake for a particular award and/or grantee.

1. Mandatory Subaward Monitoring Requirements

Pass-through entities are required to ensure that their subrecipients submit the *Subrecipient Annual Report* to F&M within 45 days after the end of its fiscal year. Although it is the responsibility of F&M to request the report directly from the subrecipient, if the report becomes delinquent it becomes the responsibility of the primary pass-through entity to gain compliance with the requirement. Delinquent subrecipients are ineligible to receive new grant awards. (See [Pre-Award Risk Assessment](#))

The Uniform Guidance, §200.331(d), identifies the following mandatory monitoring activities:

- a) Reviewing financial and programmatic reports required by the pass-through entity;
- b) Following-up and ensuring that the subrecipient takes timely and appropriate action on all deficiencies pertaining to the Federal award provided to the subrecipient from the pass-through entity detected through audits, on-site reviews, and other means;
- c) Issuing a management decision for audit findings pertaining to the Federal award provided to the subrecipient from the pass-through entity;
- d) Verify that every subrecipient that requires a single audit is audited in accordance with OMB Circular A-133 or Uniform Guidance Subpart F, whichever is applicable;
- e) Consider whether the results of the subrecipient's audits, on-site reviews, or other monitoring indicate conditions that necessitate adjustments to the pass-through entity's own records;
- f) Consider taking enforcement action against noncompliant subrecipients (See [Sanctions](#))

2. Recommended Monitoring Activities

A pass-through entity's monitoring procedures may consist of both during the award and after the award monitoring. Activities may consist of one or more of the following:

- a) Desk review of subrecipient's financial and program reports;
- b) Review of backup documentation such as invoices, payroll registers, time and effort reports, etc. These reviews may be performed on-site or as part of a desk review;
- c) On-site monitoring of financial and programmatic requirements. On-site visits can be very effective when both financial and programmatic review occur simultaneously, fostering a coordinated and comprehensive review of the grantee. Many pass-through entities establish a rotating cycle, visiting each subrecipient once every two or three years as a means of efficiently using often limited monitoring resources;
- d) Other audits – request copies of any recent audits performed in addition to a single audit;
- e) Limited scope engagements – these audits include the following types of compliance requirements:
 - Activities allowed or unallowed;
 - Allowable costs/cost principle;
 - Eligibility;
 - Matching, level of effort and earmarking;
 - Reporting.

Other Monitoring Activities: One of the most important facets of monitoring is to stay informed. Pass-through entities can use communication tools such as telephone interviews and e-mail. Phone conversions should be documented in the grant files and copies of any written correspondence should also be filed in the grant file.

Change in Single Audit Threshold: Since the Uniform Guidance raised the single audit threshold from \$500,000 to \$750,000, the number of subrecipients requiring a single audit beginning with fiscal years ending after December 25, 2015 will be reduced. Therefore, pass-through entities that previously relied on single audits for monitoring subrecipients will find fewer having a single audit conducted and will need to perform additional monitoring activities for those no longer requiring a single audit.

D. Single Audit Requirements

For fiscal years beginning before December 26, 2014, non-Federal entities that expend \$500,000 or more in Federal awards must have a single or program-specific audit conducted in accordance with OMB Circular A-133. For fiscal years beginning on or after December 26, 2014, non-Federal entities that expend \$750,000 or more in Federal awards must have a single or program-specific audit conducted in accordance with Uniform Guidance, Subpart F (2 CFR Chapter II, Subpart F). A non-Federal entity may elect to have a program-specific audit if they expend Federal awards under only one Federal program (excluding R&D) and the Federal program's statutes, regulations, or the terms and conditions of the Federal award do not require a financial statement audit. It is the responsibility of pass-through entities to verify that their subrecipients who meet these thresholds have an audit conducted in accordance with the appropriate Federal regulations.

1. Subrecipient Annual Report

Subrecipients are required by the Standard Terms and Conditions of their grant agreement to submit a Subrecipient Annual Report to F&M within 45 days after the end of their fiscal year. This report notifies the State of Vermont whether the subrecipient requires a single audit for that fiscal year. If a single audit is required, it must be submitted to the Federal Audit Clearinghouse (FAC) within nine months after the end of its fiscal year. The Subrecipient Annual Report is not required to be submitted by State of Vermont departments who receive a subaward from another State of Vermont granting agency, nor from Federal agencies who receive subawards from the State of Vermont.

A letter requesting the Subrecipient Annual Report is mailed to each subrecipient by F&M shortly after the subrecipient's fiscal year ends. This letter contains a list of all current subawards issued to it by State granting agencies. When the Subrecipient Annual Report is received, F&M records it in the GT module and assigns a primary pass-through entity. If a single audit is required, the primary pass-through entity has additional responsibilities related to review of the single audit; when a single audit is not required, there are no further specific responsibilities for the primary pass-through entity.

If the subrecipient does not submit the report when it is due, the report is put into a delinquent status and F&M assigns a primary pass-through entity who becomes responsible for resolving the delinquency with the subrecipient. Since submission of this report is a requirement of their grant agreement, failure to submit the report timely puts the subrecipient out of compliance with all subawards it receives from the State of Vermont for that fiscal year and makes them ineligible to receive new grant awards, even those not containing Federal funds, until the delinquency is resolved.

For-Profit and Federal Agency Subrecipients: Single Audit requirements of A-133 and Subpart F are not applicable to Federal agencies nor for-profit subrecipients, however, pass-through entities are responsible for establishing requirements, as necessary, to ensure compliance by these subrecipients to all other requirements and terms and conditions of the award. The grant agreement should describe applicable compliance requirements and the subrecipient's compliance responsibilities. Methods to ensure compliance for Federal awards made to for-profit subrecipients may include pre-award audits, monitoring during the agreement, and post-award audits. Methods to ensure compliance with subawards made to

Federal agencies may include monitoring during the agreement and financial reporting but will not usually include audits.

E. Review of Single Audit Reports

When a subrecipient is required to have a single or program-specific audit, all pass-through entities must review the audit report and follow-up on any audit findings that pertain to awards provided to the subrecipient. Pass-through entities are not required to follow-up on audit findings pertaining to awards that were issued by non-State of Vermont entities. After reviewing the audit report, pass-through entities must:

- Follow-up with the subrecipient to ensure that they take timely and appropriate action on all deficiencies pertaining to the Federal award;
- Issue a management decision on audit findings within six months of acceptance of the audit report by the FAC.

1. Review Guidelines

A single audit report contains information about a subrecipient's use of federal funds, its internal controls, and its compliance with program requirements. The pass-through entity's review of a single audit report is for the purpose of determining whether the audit is complete and performed in accordance with the requirements of OMB Circular A-133 (for audits of fiscal years beginning before December 26, 2014) or of Uniform Guidance Subpart F (for audits of fiscal years beginning on or after December 26, 2014), identifies issues that may affect awards passed to the subrecipient from the pass-through entity and that may require management attention, or identifies issues that may warrant other follow-up such as additional audits and/or revisions to the audit report or financial reports.

Desk Review: Upon receipt of a single audit report, *all* pass-through entities (not just the primary pass-through entity) should review the entire report as part of its monitoring efforts, including review of the following:

- Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters;
- Auditor's Report on Compliance for Each Major Program;
- Report on Internal Control over Compliance;
- Report on Schedule of Expenditures of Federal Awards;
- Schedule of Findings and Questioned Costs;
- Subrecipient's Corrective Action Plan.

Items reported by the auditors may include reportable conditions, material weaknesses, findings of noncompliance, questioned costs, fraud, etc. Pass-through entities are not required to follow up on findings or other matters pertaining to awards not passed through the State of Vermont, such as direct Federal awards or subawards from non-State of Vermont entities. However, findings pertaining to internal controls may affect all programs, including non-major programs, so particular attention should be given to findings related to internal controls even if no programmatic findings exist.

Checklists: It is recommended that pass-through entities make use of checklists when reviewing single audits. An audit review checklist serves the dual purpose of guiding a reviewer through the desk review and documenting the results of the review. The *Council of the Inspectors General on Integrity and Efficiency* has made available a [Guide for Desk Review of OMB Circular A-133 Audit Reports](#) on its website. This document is a checklist of review items in accordance with the requirements of OMB Circular A-133. This document provides a comprehensive list of items to review which may be used or adapted by pass-through entities. Although this document pertains specifically to OMB Circular A-133, it is also relevant for audits under Uniform Guidance Subpart F.

Corrective Action Plans: If the audit report does not contain the subrecipient’s corrective action plan, or if further information is required, the primary pass-through entity may request an updated or more detailed corrective action plan. This request should be coordinated by the primary pass-through entity in a comprehensive fashion to include requests specific to all programs passed through State of Vermont granting agencies, not just those programs managed by the primary pass-through entity. The primary pass-through entity should consider the subrecipient’s corrective action plan when issuing its management decision and should seek input from all State of Vermont pass-through entities when applicable.

Internal Controls: Desk reviews of single audit reports include reviewing the report not only for findings on major programs but also paying close attention to the auditor’s report on internal control and assessing if findings in this area may pose a risk to either major or non-major programs. Auditors have specific audit requirements related to internal controls and it is noteworthy that the Uniform Guidance strengthened its requirements for recipients and subrecipients in the area of internal controls, requiring that internal controls should be in compliance with the guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States and the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Limitations of Single Audits: A single audit looks primarily at the subrecipient’s “major programs” (larger programs which meet the definition of a major program) and “non-major” programs which the auditor determines have a high risk of non-compliance with Federal regulations. Depending upon specific program requirements and the results of previous audits, major programs may be audited only once every three years and non-major/low-risk programs are generally excluded from the audit altogether.

Due to these limitations, pass-through entities should not rely solely on single audit reports for their monitoring activities. A pass-through entity may need to perform additional monitoring such as site visits or additional desk reviews. This might allow a pass-through entity to monitor areas of a major program that an auditor would not test, or monitor programs that are not tested as part of the single audit either because they are too small or they are not considered high-risk.

2. Role of the Primary Pass-Through Entity in Single Audit Review

F&M designates a “primary” pass-through entity which fulfills a role similar to a Federal Cognizant Agency for Audit as defined by Uniform Guidance §200.18. The primary pass-through is the lead State of Vermont pass-through entity responsible for verifying that the subrecipient submits copies of the audit to the FAC, reviewing the audit, coordinating review among State of Vermont granting agencies, issuing a management decision if required, and updating the VISION GT module regarding single audit review.

- a) **Coordination of Single Audit Review:** Review of the single audit report must be coordinated between granting agencies when a subrecipient expends subawards it has received from multiple State of Vermont granting agencies. The Primary Pass-Through Entity assigned by F&M will take the lead on this coordination, and will be the primary point of contact between the State of Vermont and the subrecipient during review of their single audit, including requesting a corrective action plan, if necessary. This process should take place in accordance with Bulletin 5 Procedure #2 - Single Audit Review, and should involve all State of Vermont granting agencies that have programs included in the Schedule of Expenditure of Federal Awards (SEFA).
- b) **Management Decision:** If a single audit contains findings affecting subawards issued by the State of Vermont, the primary pass-through entity is required to issue a management decision. If an audit

finding affects a program not managed by the primary pass-through entity, the non-primary pass-through entity is responsible for drafting this portion of the management decision letter, in accordance with the single audit review coordination procedures set forth by Bulletin 5 Procedure #2. Management decisions shall clearly state whether the audit finding is sustained, the reasons for the decision, and the expected subrecipient actions to repay disallowed costs, make financial adjustments, or take other action.

c) **VISION Grant Tracking Module:** The Primary pass-through entity is responsible for entering information about the single audit in the GT module in accordance with Bulletin 5 Procedure #2. Information includes, but is not limited to:

- When the audit was received by the primary pass-through entity
- When the audit was reviewed by the primary pass-through entity
- Whether or not there were any findings
- Whether or not a Corrective Action Plan was requested and received
- When the audit was accepted (finalized) by the primary pass-through entity
- If/when a management decision letter was sent
- Adding comments pertaining to the audit review

The comments field is useful when documenting areas of concern or other comments that are to be shared with other pass-through entities. Although the primary pass-through entity is responsible for updating the fields on this page of the GT module, all pass-through entities are encouraged to enter comments pertaining to their review of a single audit report.

F. Sanctions

If a granting agency determines that a grantee is out of compliance with State law or rule or Federal law or regulations, terms and conditions of the grant agreement, performance requirements or auditing requirements; is suspected of fraud or misuse of funds; fails to take corrective action on audit findings, etc. they may terminate the grant agreement, or pursue other remedies as necessary or appropriate. A granting agency should act as may be appropriate for the situation with the purpose of gaining compliance or limiting risk to the State.

Possible sanctions may include:

- Delaying payments or withholding partial payments;
- Making payments on a reimbursement basis only;
- Placing additional reporting requirements on the award, provided the grant agreement provides for this remedy;
- Disallowing costs and/or offsetting or requesting repayment if funds had been advanced;
- Conducting or arranging for an independent audit;
- Cancellation of the award;
- Classifying the grantee as “high-risk” and withholding future awards.

Remedies may be pursued for both State and Federally funded awards; however granting agencies should consult with the Commissioner of Finance and Management with respect to awards that are identified in

statute or otherwise directed by the general assembly (such as direct appropriations) or pass-through or entitlement grants.

IX. CLOSEOUT

All grant awards should be closed out by the granting agency when the award period ends or earlier if the granting agency determines that all applicable administrative actions and all required work of the award have been completed.

A. Required Actions for Federal Subawards

The following actions must be taken to close out a subaward:

- No later than 90 calendar days after the end of the performance period, the subrecipient must submit all financial, performance, and other reports as required by the grant agreement. However, the pass-through entity may choose to allow a shorter time period for final reporting by the subrecipient in order to meet its own Federal reporting requirements.
 - Pass-through entities may approve an extension when requested by the subrecipient, however, pass-through entities must be cognizant of their own reporting requirements when approving extensions from subrecipients.
- All obligations incurred under the award must be liquidated no later than 90 calendar days after the end of the performance period (or shorter if required by the pass-through entity in order to meet its own reporting requirements).
- The pass-through entity must make prompt payments for allowable reimbursable costs under the Federal award being closed out.
- The subrecipient must promptly refund any balances of unobligated cash that the pass-through entity paid in advance or paid and that is not authorized to be retained by the subrecipient for use in other projects.
- Consistent with the terms and conditions of the subaward, the pass-through entity must make a settlement for any upward or downward adjustments to the Federal share of costs after closeout reports are received.
- The subrecipient must account for any real and personal property acquired with Federal funds.
- The pass-through entity should complete all closeout actions for Federal awards no later than one year after receipt and acceptance of all required final reports.

B. Post-Closeout Responsibilities for Federal Subawards

The closeout of a Federal award does not affect any of the following:

- The right of the pass-through entity to disallow costs and recover funds on the basis of a later audit or other review; however, the disallowance determination and notification must occur during the record retention period;
- The obligation of the subrecipient to return any funds due as a result of later refunds, corrections, or other transactions including final indirect cost rate adjustments;
- Audit requirements of Subpart F;
- Property management and disposition requirements;
- Records retention requirements.

X. CONFLICT OF INTEREST

Employees with a conflict of interest should not be permitted to control or influence the award of grants. This applies to members of any boards who are involved in the review and selection process for grants. Additionally, every effort should be made to avoid the "appearance" of a conflict of interest in the granting

process. An appearance of a conflict is anything that would lead a reasonable person to question whether this subrecipient was selected for improper reasons. In accordance with Uniform Guidance §200.112, grantees must notify the granting agency, in writing, of any potential conflict of interest.

XI. Waivers

The Secretary, or designee, may waive provisions of this Bulletin on a case-by-case basis pursuant to a written request from an Appointing Authority. Any such request must describe in detail the basis for the waiver request and the specific component(s) of the granting process for which the waiver is sought. The waiver must be granted prior to the signing of the grant agreement by either the State or the grantee. The Commissioner of Finance and Management may waive provisions of this policy as part of an approved Granting Plan. A copy of all approved grant-specific waivers must be included in the grant file and if a waiver is approved for an ongoing grant program or classification of grant, reference should be included in the Granting Plan. A waiver will not be granted for any provision of this Bulletin that is required by the Uniform Guidance or is inconsistent with funder award requirements or State or Federal law.

XII. ANNUAL REVIEWS

In order to promote compliance with the provisions of this Bulletin, F&M will conduct periodic management reviews of performance relative to the policy and requirements herein. The results of such reviews are subject to public disclosure.

APPENDIX I – Standard Grant Agreement

STATE OF VERMONT GRANT AGREEMENT					Part 1-Grant Award Detail		
SECTION I - GENERAL GRANT INFORMATION							
¹ Grant #:				² Original _____ Amendment # _____			
³ Grant Title:							
⁴ Amount Previously Awarded:			⁵ Amount Awarded This Action:		⁶ Total Award Amount:		
\$ 0.00			\$ 0.00		\$ 0.00		
⁷ Award Start Date:			⁸ Award End Date:		⁹ Subrecipient Award: YES <input type="checkbox"/> NO <input type="checkbox"/>		
¹⁰ Vendor #:		¹¹ Grantee Name:					
¹² Grantee Address:							
¹³ City:				¹⁴ State:		¹⁵ Zip Code:	
¹⁶ State Granting Agency:						¹⁷ Business Unit:	
¹⁸ Performance Measures:		¹⁹ Match/In-Kind: \$ _____ Description:					
YES <input type="checkbox"/> NO <input type="checkbox"/>							
²⁰ If this action is an amendment, the following is amended:							
Amount: <input type="checkbox"/>		Performance Period: <input type="checkbox"/>		Scope of Work: <input type="checkbox"/>		Other: <input type="checkbox"/>	
SECTION II - SUBRECIPIENT AWARD INFORMATION							
²¹ Grantee DUNS #:				²² Indirect Rate:		²³ FFATA: YES <input type="checkbox"/> NO <input type="checkbox"/>	
²⁴ Grantee Fiscal Year End Month (MM format):				_____ % <small>(Approved rate or de minimis 10%)</small>		²⁵ R&D: <input type="checkbox"/>	
²⁶ DUNS Registered Name (if different than VISION Vendor Name in Box 11):							
SECTION III - FUNDING ALLOCATION							
STATE FUNDS							
Fund Type	27 Awarded Previously	28 Award This Action	29 Cumulative Award	30 Special & Other Fund Descriptions			
General Fund	\$0.00	\$0.00	\$0.00				
Special Fund	\$0.00	\$0.00	\$0.00				
Global Commitment <small>(non-subrecipient funds)</small>	\$0.00	\$0.00	\$0.00				
Other State Funds	\$0.00	\$0.00	\$0.00				
FEDERAL FUNDS <small>(includes subrecipient Global Commitment funds)</small>						Required Federal Award Information	
31 CFDA #	32 Program Title	33 Awarded Previously	34 Award This Action	35 Cumulative Award	36 FAIN	37 Federal Award Date	38 Total Federal Award
		\$0.00	\$0.00	\$0.00			\$0.00
³⁹ Federal Awarding Agency:		⁴⁰ Federal Award Project Descr:					
		\$0.00	\$0.00	\$0.00			\$0.00
Federal Awarding Agency:		Federal Award Project Descr:					
		\$0.00	\$0.00	\$0.00			\$0.00
Federal Awarding Agency:		Federal Award Project Descr:					
		\$0.00	\$0.00	\$0.00			\$0.00
Federal Awarding Agency:		Federal Award Project Descr:					
		\$0.00	\$0.00	\$0.00			\$0.00
Federal Awarding Agency:		Federal Award Project Descr:					
		\$0.00	\$0.00	\$0.00			\$0.00
Federal Awarding Agency:		Federal Award Project Descr:					
		Total Funds Awarded	\$0.00	\$0.00	\$0.00		
SECTION IV - CONTACT INFORMATION							
STATE GRANTING AGENCY				GRANTEE			
NAME:				NAME:			
TITLE:				TITLE:			
PHONE:				PHONE:			
EMAIL:				EMAIL:			

**State of Vermont
Standard Grant Agreement**

Agreement # _____

Part 2 – Grant Agreement

1. Parties: This is a Grant Agreement between State of Vermont
Department of _____
Division of _____, (hereinafter called "State")
And

with principal place of business at _____, (hereinafter
called "Grantee").

Grantee is/ is not required by law to have a Business Account Number from the Vermont Department
of Taxes. The Account Number is # _____.
2. Subject Matter: The subject matter of this Grant Agreement is _____.
3. Award Details: Amounts, dates and other award details are as shown in the attached *Grant Agreement Part
1-Grant Award Detail*. A detailed scope of work covered by this award is described in Attachment A.
4. Amendment: No changes, modifications, or amendments in the terms and conditions of this Grant
Agreement shall be effective unless reduced to writing, numbered, and signed by the duly authorized
representative of the State and Subrecipient.
5. Cancellation: This Grant Agreement may be suspended or cancelled by either party by giving written notice at
least ___ days in advance.
6. Attachments: This Grant consists of _____ pages including the following attachments that are incorporated
herein:
 - Grant Agreement-Part 1 – Grant Award Detail
 - Attachment A – Scope of Work To Be Performed
 - Attachment B – Payment Provisions
 - Attachment C – Customary State Grant Provisions
 - Attachment D – Other Provisions

WE THE UNDERSIGNED PARTIES AGREE TO BE BOUND BY THIS GRANT AGREEMENT.

By the State of Vermont:

By the Grantee:

Date: _____

Date: _____

Signature: _____
Commissioner

Signature: _____

Name: _____

Name: _____

Department of _____

Title: _____

APPENDIX II – Attachment A

GUIDELINES FOR ATTACHMENT A SCOPE OF WORK TO BE PERFORMED

Attachment A of a Standard State Grant Agreement describes the nature and extent of the grantee's obligations. This is the most important part of the agreement. To avoid problems later, you should make the description clear, unambiguous and complete. Specify all performances and products to be delivered. Avoid "legalese"; plain English is sufficient and preferred.

The following checklist should be helpful in writing specifications:

1. Does the work statement let the grantee know what is ahead? Is it specific enough to allow the recipient to make a list of human resources and, if necessary, special facilities, equipment, subcontracts and/or consultants needed to accomplish the work?
2. Are performance measures clearly stated, measurable and reportable?
3. Is general and background information separated from directions to the grantee and required performance? The minimum that the grantee is expected to do should be clearly described.
4. Have the granting agency's responsibilities to the grantee been clearly identified? If not, the state could find it more difficult to enforce its rights under the grant agreement.
5. Will it be possible to measure performance? Are the end results and specific duties of the grantee stated in such a way that he/she/it knows what is required and the granting official who orders payment can tell whether payment is due? Have the type and quantity of reports required of the grantee (technical, financial, progress, etc.) been described and specified? Is there a date for each task or outcome the grantee must deliver?

APPENDIX III – Attachment B

GUIDELINES FOR ATTACHMENT B PAYMENT PROVISIONS

The main body of the Standard State Grant Agreement simply states the maximum amount to be paid. Attachment B describes payments in more detail. Attachment B should tell the grantee:

1. On what basis payment will be made
2. What bills, invoices or other proof of work the grantee must submit before being paid. If payment will be tied to accomplishment of performance measures, this should be clearly stated.
3. When and how much the grantee will be paid, and what, if any, deductions will be made from payments

Payments can be made periodically, upon completion of specific tasks, by percentage of the total grant performance, or by some combination of these methods. Partial award payments may also be made in advance, in accordance with the Payment terms of this policy. When advances of funds are deemed appropriate, a clause requiring the return of unspent grant funds at the end of the grant period must be included.

Most grants provide for periodic payments, usually monthly or quarterly. To document work performed and to remind the agency to make payments, most grants require the grantee to submit both a financial statement and program and/or performance progress reports, showing the amount of work accomplished or performance measures met during the work period. Payments based upon performance measures are encouraged because they require a granting agency to examine the work being done; but they may also be challenging to manage if the amount of funds required to meet various performance measures has not been calculated correctly. When writing these provisions, make the steps realistic estimates of the way the work will be performed.

APPENDIX IV – Multi-Use Attachment C

SAMPLE ONLY – USE OFFICIAL VERSION FROM BGS WEBSITE

ATTACHMENT C: STANDARD STATE PROVISIONS FOR CONTRACTS AND GRANTS

1. Entire Agreement: This Agreement, whether in the form of a Contract, State Funded Grant, or Federally Funded Grant, represents the entire agreement between the parties on the subject matter. All prior agreements, representations, statements, negotiations, and understandings shall have no effect.

2. Applicable Law: This Agreement will be governed by the laws of the State of Vermont.

3. Definitions: For purposes of this Attachment, “Party” shall mean the Contractor, Grantee or Subrecipient, with whom the State of Vermont is executing this Agreement and consistent with the form of the Agreement.

4. Appropriations: If this Agreement extends into more than one fiscal year of the State (July 1 to June 30), and if appropriations are insufficient to support this Agreement, the State may cancel at the end of the fiscal year, or otherwise upon the expiration of existing appropriation authority. In the case that this Agreement is a Grant that is funded in whole or in part by federal funds, and in the event federal funds become unavailable or reduced, the State may suspend or cancel this Grant immediately, and the State shall have no obligation to pay Subrecipient from State revenues.

5. No Employee Benefits For Party: The Party understands that the State will not provide any individual retirement benefits, group life insurance, group health and dental insurance, vacation or sick leave, workers compensation or other benefits or services available to State employees, nor will the state withhold any state or federal taxes except as required under applicable tax laws, which shall be determined in advance of execution of the Agreement. The Party understands that all tax returns required by the Internal Revenue Code and the State of Vermont, including but not limited to income, withholding, sales and use, and rooms and meals, must be filed by the Party, and information as to Agreement income will be provided by the State of Vermont to the Internal Revenue Service and the Vermont Department of Taxes.

6. Independence, Liability: The Party will act in an independent capacity and not as officers or employees of the State.

The Party shall defend the State and its officers and employees against all claims or suits arising in whole or in part from any act or omission of the Party or of any agent of the Party. The State shall notify the Party in the event of any such claim or suit, and the Party shall immediately retain counsel and otherwise provide a complete defense against the entire claim or suit.

After a final judgment or settlement the Party may request recoupment of specific defense costs and may file suit in Washington Superior Court requesting recoupment. The Party shall be entitled to recoup costs only upon a showing that such costs were entirely unrelated to the defense of any claim arising from an act or omission of the Party.

The Party shall indemnify the State and its officers and employees in the event that the State, its officers or employees become legally obligated to pay any damages or losses arising from any act or omission of the Party.

7. Insurance: Before commencing work on this Agreement the Party must provide certificates of insurance to show that the following minimum coverages are in effect. It is the responsibility of the Party to maintain current certificates of insurance on file with the state through the term of the Agreement. No warranty is made that the coverages and limits listed

herein are adequate to cover and protect the interests of the Party for the Party's operations. These are solely minimums that have been established to protect the interests of the State.

Workers Compensation: With respect to all operations performed, the Party shall carry workers' compensation insurance in accordance with the laws of the State of Vermont.

General Liability and Property Damage: With respect to all operations performed under the contract, the Party shall carry general liability insurance having all major divisions of coverage including, but not limited to:

Premises - Operations
Products and Completed Operations
Personal Injury Liability
Contractual Liability

The policy shall be on an occurrence form and limits shall not be less than:

\$1,000,000 Per Occurrence
\$1,000,000 General Aggregate
\$1,000,000 Products/Completed Operations Aggregate
\$ 50,000 Fire/ Legal/Liability

Party shall name the State of Vermont and its officers and employees as additional insureds for liability arising out of this Agreement.

Automotive Liability: The Party shall carry automotive liability insurance covering all motor vehicles, including hired and non-owned coverage, used in connection with the Agreement. Limits of coverage shall not be less than: \$1,000,000 combined single limit.

Party shall name the State of Vermont and its officers and employees as additional insureds for liability arising out of this Agreement.

8. Reliance by the State on Representations: All payments by the State under this Agreement will be made in reliance upon the accuracy of all prior representations by the Party, including but not limited to bills, invoices, progress reports and other proofs of work.

9. Requirement to Have a Single Audit: In the case that this Agreement is a Grant that is funded in whole or in part by federal funds, the Subrecipient will complete the Subrecipient Annual Report annually within 45 days after its fiscal year end, informing the State of Vermont whether or not a Single Audit is required for the prior fiscal year. If a Single Audit is required, the Subrecipient will submit a copy of the audit report to the granting Party within 9 months. If a single audit is not required, only the Subrecipient Annual Report is required.

For fiscal years ending before December 25, 2015, a Single Audit is required if the subrecipient expends \$500,000 or more in federal assistance during its fiscal year and must be conducted in accordance with OMB Circular A-133. For fiscal years ending on or after December 25, 2015, a Single Audit is required if the subrecipient expends \$750,000 or more in federal assistance during its fiscal year and must be conducted in accordance with 2 CFR Chapter I, Chapter II, Part 200, Subpart F. The Subrecipient Annual Report is required to be submitted within 45 days, whether or not a Single Audit is required.

10. Records Available for Audit: The Party will maintain all books, documents, payroll papers, accounting records and other evidence pertaining to costs incurred under this agreement and make them available at

reasonable times during the period of the Agreement and for three years thereafter for inspection by any authorized representatives of the State or Federal Government. If any litigation, claim, or audit is started before the expiration of the three year period, the records shall be retained until all litigation, claims or audit findings involving the records have been resolved. The State, by any authorized representative, shall have the right at all reasonable times to inspect or otherwise evaluate the work performed or being performed under this Agreement.

11. Fair Employment Practices and Americans with Disabilities Act: Party agrees to comply with the requirement of Title 21V.S.A. Chapter 5, Subchapter 6, relating to fair employment practices, to the full extent applicable. Party shall also ensure, to the full extent required by the Americans with Disabilities Act of 1990, as amended, that qualified individuals with disabilities receive equitable access to the services, programs, and activities provided by the Party under this Agreement. Party further agrees to include this provision in all subcontracts.

12. Set Off: The State may set off any sums which the Party owes the State against any sums due the Party under this Agreement; provided, however, that any set off of amounts due the State of Vermont as taxes shall be in accordance with the procedures more specifically provided hereinafter.

13. Taxes Due to the State:

- a. Party understands and acknowledges responsibility, if applicable, for compliance with State tax laws, including income tax withholding for employees performing services within the State, payment of use tax on property used within the State, corporate and/or personal income tax on income earned within the State.
- b. Party certifies under the pains and penalties of perjury that, as of the date the Agreement is signed, the Party is in good standing with respect to, or in full compliance with, a plan to pay any and all taxes due the State of Vermont.
- c. Party understands that final payment under this Agreement may be withheld if the Commissioner of Taxes determines that the Party is not in good standing with respect to or in full compliance with a plan to pay any and all taxes due to the State of Vermont.
- d. Party also understands the State may set off taxes (and related penalties, interest and fees) due to the State of Vermont, but only if the Party has failed to make an appeal within the time allowed by law, or an appeal has been taken and finally determined and the Party has no further legal recourse to contest the amounts due.

14. Child Support: (Applicable if the Party is a natural person, not a corporation or partnership.) Party states that, as of the date the Agreement is signed, he/she:

- a. is not under any obligation to pay child support; or
- b. is under such an obligation and is in good standing with respect to that obligation; or
- c. has agreed to a payment plan with the Vermont Office of Child Support Services and is in full compliance with that plan.

Party makes this statement with regard to support owed to any and all children residing in Vermont. In addition, if the Party is a resident of Vermont, Party makes this statement with regard to support owed to any and all children residing in any other state or territory of the United States.

15. Sub-Agreements: Party shall not assign, subcontract or subgrant the performance of this Agreement or any portion thereof to any other Party without the prior written approval of the State. Party also agrees to include in all subcontract or subgrant agreements a tax certification in accordance with paragraph 13 above.

16. No Gifts or Gratuities: Party shall not give title or possession of any thing of substantial value (including property, currency, travel and/or education programs) to any officer or employee of the State during the term of this Agreement.

17. Copies: All written reports prepared under this Agreement will be printed using both sides of the paper.

18. Certification Regarding Debarment: Party certifies under pains and penalties of perjury that, as of the date that this Agreement is signed, neither Party nor Party's principals (officers, directors, owners, or partners) are presently debarred, suspended, proposed for debarment, declared ineligible or excluded from participation in federal programs, or programs supported in whole or in part by federal funds.

Party further certifies under pains and penalties of perjury that, as of the date that this Agreement is signed, Party is not presently debarred, suspended, nor named on the State's debarment list at:

<http://bgs.vermont.gov/purchasing/debarment>

19. Certification Regarding Use of State Funds: In the case that Party is an employer and this Agreement is a State Funded Grant in excess of \$1,001, Party certifies that none of these State funds will be used to interfere with or restrain the exercise of Party's employee's rights with respect to unionization.

20. Internal Controls: In the case that this Agreement is an award that is funded in whole or in part by Federal funds, in accordance with 2 CFR Part II, §200.303, the Party must establish and maintain effective internal control over the Federal award to provide reasonable assurance that the Party is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the award. These internal controls should be in compliance with guidance in "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United States and the "Internal Control Integrated Framework", issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

21. Mandatory Disclosures: In the case that this Agreement is an award funded in whole or in part by Federal funds, in accordance with 2CFR Part II, §200.113, Party must disclose, in a timely manner, in writing to the State, all violations of Federal criminal law involving fraud, bribery, or gratuity violations potentially affecting the Federal award. Failure to make required disclosures may result in the imposition of sanctions which may include disallowance of costs incurred, withholding of payments, termination of the Agreement, suspension/debarment, etc.

22. Conflict of Interest: Party must disclose in writing any potential conflict of interest in accordance with Uniform Guidance §200.112, Bulletin 5 Section IX and Bulletin 3.5 Section IV.B.

(End of Standard Provisions)

APPENDIX V – Other Grant Provisions

GUIDELINES FOR ATTACHMENT D OTHER GRANT AGREEMENT PROVISIONS

Many grant agreements can be fully described using the materials described in preceding Appendices to this Bulletin. In some cases, however, agencies will want to add specially tailored provisions not available on preprinted forms or in the main agreement itself. In addition, when granting for professional services, agencies will be required (absent an appropriate waiver) to include a professional liability insurance provision. Attachment D of the Grant Agreement, "Other Provisions", should be used for this purpose. If a clause found in Attachment C must be replaced or reworded, this should be done in Attachment D by referencing the Attachment C paragraph, striking it, and replacing with new language.

Some possible "Other Provisions" are suggested below.

- 1. Cost of Materials:** Grantee will not buy materials and resell to the State at a profit.
- 2. Identity of workers:** The Grantee will assign the following individuals to the services to be performed under the provisions of this Agreement, and these individuals shall be considered essential to performance. [cite individuals]. Should any of the individuals become unavailable during the period of performance, the State shall have the right to approve any proposed successors, or, at its option, to cancel the remainder of the Agreement.
- 3. Work Product Ownership:** Upon full payment by the State, all products of the Grantee's work, including outlines, reports, charts, sketches, drawings, art work, plans, photographs, specifications, estimates, computer programs, or similar documents, become the sole property of the State of Vermont and may not be copyrighted or resold by Grantee.
- 4. Prior Approval/Review of Releases:** Any notices, information pamphlets, press releases, research reports, or similar other publications prepared and released in written or oral form by the Grantee under this Grant Agreement shall be approved/reviewed by the State prior to release.
- 5. Ownership of Equipment:** Any equipment purchased by or furnished to the Grantee by the State under this Grant Agreement is provided on a loan basis only and remains the property of the State.
- 6. Legal Services:** Grantee will be providing legal services under this Grant Agreement. Grantee agrees that during the term of the Grant Agreement he or she will not represent anyone in a matter, proceeding, or lawsuit against the State of Vermont or any of its agencies or instrumentalities. After termination of this Grant Agreement, Grantee also agrees that he or she will not represent anyone in a matter, proceeding, or lawsuit substantially related to this Grant Agreement.
- 7. Liens:** Grantee will discharge any and all contractors or mechanics' liens imposed on property of the State through the actions of subcontractors.
- 8. Performance Bond:** The Grantee shall, prior to commencing work under this Grant Agreement, furnish to the State a payment and performance bond from a reputable insurance company licensed to do business in the State of Vermont, guaranteeing the satisfactory completion of the Grant Agreement by the Grantee and payment of all subcontractors, suppliers and employees.

9. **Professional Liability Insurance:** Before commencing work on this Grant Agreement and throughout the term of this Grant Agreement, Grantee shall procure and maintain professional liability insurance for any and all services performed under this Grant Agreement, with minimum coverage of \$ _____ per occurrence.
10. **Davis-Bacon Act:** The subrecipient will comply with the provisions of the Davis-Bacon Act (40 U.S.C. 276a to 276a 7), the Copeland Act (40 U.S.C. 276c and 18 U.S.C. 874, and the Contract Work Hours and Safety Standards Act (40.327-333), regarding labor standards for federally assisted construction sub agreements.
11. **Health Insurance Portability and Accountability Act (HIPAA):** The confidentiality of any health care information acquired by or provided to the Grantee shall be maintained in compliance with any applicable State or federal laws or regulations.
12. **Special Conditions:** Under this heading the granting agency will specify special conditions imposed by the Federal Granting Agency.
13. **Equal Opportunity Plan:** If they are required by the Federal Office of Civil Rights to have a plan, the Grantee must provide a copy of the approval of their Equal Opportunity Plan,
14. **Supplanting:** If required, the Grantee will submit a Certification that funds will not be used to supplant local or other funding.
15. **Prior Approvals:** If approval by the Attorney General's Office is required by the granting agency, the following should be added.

Neither this Grant nor any amendment to it is binding until it has been approved by the Attorney General's Office.

APPENDIX VI – Risk-Based Assessment

**State of Vermont
Grantee Risk-Based Assessment**

Organization Name: _____ Grant No.: _____

Grant Title/Description: _____

ELIGIBILITY	Eligible	Ineligible
Suspension & Debarment		
Subrecipient Annual Report		
Single Audit		

1. Amount	Small <\$25,000	Medium \$25,000 to \$250,000	Large >\$250,000	Points Awarded	
Rate the organization based on the amount of the award					
	0	10	20		
2. Accounting System	Automated	Manual	Combination	Points Awarded	
Rate the organization based on the type of accounting system they use					
	0	20	0		
3. Program Complexity	Not Complex	Slightly Complex	Moderately Complex	Highly Complex	Points Awarded
Rate the complexity of the program					
	0	10	20	30	
Programs with complex compliance requirements have a higher risk of non-compliance. In your determination of complexity consider whether the program has complex grant requirements. The following are some examples of reasons a program would be considered more complex:					
<ul style="list-style-type: none"> ▶ Complex programmatic requirements and/or must adhere to regulations ▶ Matching funds or Maintenance of Effort are required ▶ Various types of program reports are required ▶ The organization further subcontracts out the program 					
4. Organization Risk	Rank the organization based on your knowledge of the following:			Points Awarded	
	YES	NO			
a. Is the organization receiving an award for the first time?	35	0			
b. Did the organization adhere to all terms and conditions of prior grant awards?	0	30			
c. Does the organization have adequate and qualified staff to comply with the terms of the agreement?	0	20			
d. Does the organization have prior experience with similar programs?	0	15			
e. Does the organization maintain policies which include procedures for assuring compliance with the terms of the award?	0	10			
f. Does the organization have an accounting system that will allow them to completely and accurately track the receipt and disbursements of funds related to the award?	0	10			
g. If staff will be required to track their time associated with the award, does the organization have a system in place that will account for 100% of each employee's time?	0	10			
h. Did the organization have one or more audit findings in their last single audit regarding program non-compliance?	30	0			
i. Did the organization have one or more audit findings in their last single audit regarding significant internal control deficiency?	20	0			
j. Other issues that may indicate high risk of non-compliance? Explain: <i>(Point value should be based on evaluator's judgment)</i>					
<i>Other issues</i> include but are not limited to: (1) having new or substantially changed systems (2) having new compliance personnel (3) external risks including; economic conditions, political conditions, regulatory changes & unreliable information (4) loss of license or accreditation to operate program (5) rapid growth (6) new activities, products, or services (7) organizational restructuring (8) where indirect costs are included, does the organization have adequate systems to segregate indirect from direct costs.					
Low = 0 - 40 Moderate = 40 - 70 High = 70 and higher				TOTAL RISK POINTS:	0

Completed By: _____
Signature

Date: _____

Name: _____

Title: _____

Justification for issuing award to high-risk grantee

Organization Name: _____

Grant No.: _____

Grant Title/Description: _____

Justification:

Approved By: _____

Date: _____

Signature

Name: _____

Title: _____

Common Attributes of Grantees with Low, Moderate and High Risk:

Low Risk <i>Most of the following attributes must be present to be considered <u>low</u> risk</i>	High Risk <i>One or more of the following attributes may be present to be considered <u>high</u> risk</i>
▶ Organization has complied with the terms and conditions of prior grant awards.	▶ History of unsatisfactory performance or failure to adhere to prior grant terms and conditions
▶ No known financial management problems or financial instability	▶ Financial management problems and/or instability; inadequate financial management system
▶ High quality programmatic performance	▶ Program has highly complex compliance requirements
▶ No, or very insignificant, audit or other monitoring findings	▶ Significant findings or questioned costs from prior audit
▶ Timely and accurate financial and performance reports	▶ Untimely, inadequate, inaccurate reports
▶ Program likely does not have complex compliance requirements	▶ Recurring/unresolved issues
▶ Organization has received some form of monitoring (e.g., single audit, on-site review, etc.)	▶ Lack of contact with organization or any prior monitoring
	▶ Large award amount
Moderate Risk ▶ Agencies that fall between low risk and high risk are considered <u>moderate</u> risk.	