



State of California—Health and Human Services Agency  
Department of Health Care Services



EDMUND G. BROWN JR.  
GOVERNOR

DATE: July 15, 2016

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TO: COUNTY BEHAVIORAL HEALTH DIRECTORS  
COUNTY DRUG & ALCOHOL ADMINISTRATORS  
COUNTY BEHAVIORAL HEALTH DIRECTORS ASSOCIATION OF CALIFORNIA  
CALIFORNIA COUNCIL OF COMMUNITY BEHAVIORAL HEALTH AGENCIES  
COALITION OF ALCOHOL AND DRUG ASSOCIATIONS  
CALIFORNIA ASSOCIATION OF ALCOHOL & DRUG PROGRAM EXECUTIVES, INC.  
CALIFORNIA ALLIANCE OF CHILD AND FAMILY SERVICES

SUBJECT: UNITED STATES OFFICE OF MANAGEMENT AND BUDGET UNIFORM GUIDANCE REVISION: SUBRECIPIENT PRE-AWARD RISK ASSESSMENT

The purpose of this Information Notice is to inform counties of changes to the Office of Management and Budget (OMB) Uniform Guidance for federal grant awards that will require additional action by the Department of Health Care Services (DHCS) and each county. Pass-through entities (e.g., the State of California), and first-tier grant recipients (e.g., the 58 counties within California), are required to perform a pre-award risk assessment of all potential grant recipients annually prior to passing-through any grant funds. The following information provides guidance on this requirement.

#### **OMB Uniform Guidance Revision**

OMB has consolidated eight of its previously existing circulars into one document. This document, titled *2 CFR Part 200 Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* is commonly referred to as the Uniform Guidance. The Uniform Guidance was published in the Federal Register on December 26, 2013, and took effect in late 2014. The Federal Register notice is available at <https://www.gpo.gov/fdsys/pkg/FR-2013-12-26/pdf/2013-30465.pdf>.

The Uniform Guidance is a substantial document, and currently is available online at the e-CFR (electronic Code of Federal Regulations) <http://www.ecfr.gov/cgi-bin/text-idx?SID=91974b35496561924831c41d47615c5e&mc=true&node=pt2.1.200&rgn=div5>

#### **Subrecipient Pre-Award Risk Assessment**

One aspect of the Uniform Guidance is the addition of new language that requires federal agencies, pass-through entities (e.g., the State of California), and first-tier grant recipients (e.g., the 58 Counties within California), to review the merits and risks associated with all potential grant recipients prior to making an award. In evaluating the risks posed by the grant

recipients, federal agencies, pass-through entities, and first-tier grant recipients may use a risk-based approach and consider any items, such as:

1. Financial stability
2. Quality of management systems
3. History of performance
4. Reports and findings from audits

All entities required to perform risk assessments must show compliance with the rule during regular auditing and monitoring reviews.

### **Effective Dates**

The Uniform Guidance standards mentioned in this document is effective for awards or increments of awards issued on or after December 26, 2014.

### **Sample Pre-Award Risk Assessment Tools**

Numerous risk assessment tools have been developed by a variety of federal, state, and local governments. Examples can be obtained through a quick search on the Internet; however, ensure that the tool your organization selects or customizes to meet its needs also complies with the requirements of the Uniform Guidance.

### **Additional Award Conditions**

When a grant recipient has a history of failure to comply with the general or specific terms and conditions of a federal award, fails to meet expected performance goals, or is otherwise non-compliant, the State may impose additional specific award conditions, such as:

- Requiring payments as reimbursements rather than advance payments;
- Withholding authority to proceed to the next phase until receipt of evidence of acceptable performance within a given period of performance;
- Requiring additional, more detailed financial reports;
- Requiring additional project monitoring;
- Requiring the grantee to obtain technical or management assistance; and/or;
- Establishing additional prior approvals.

Further guidance on the additional specific award conditions is found at: *2 CFR Part 200, §200.207*.

### **Remedies for Noncompliance**

If a grant recipient fails to comply with the terms and conditions of a federal award, the State may take one or more of the following actions:

1. Temporarily withhold cash payments pending correction of the deficiency.
2. Disallow all or part of the cost of the activity or action not in compliance.
3. Wholly or partly suspend or terminate the federal award.

4. Recommend suspension or debarment proceedings be initiated by the federal awarding agency.
5. Withhold further federal awards for the project or program.
6. Take other remedies that may be legally available.

Additional guidance on remedies for noncompliance can be found at: *2 CFR Part 200, §200.338*.

#### **State/County Contract Amendment**

DHCS is amending the State Fiscal Year 2016-17 State/County contract to include language requiring compliance with the sub-recipient pre-award risk assessment as described in the Uniform Guidance.

The amended contract will require each county to perform and document annual sub-recipient pre-award risk assessments for each contracted provider.

#### **County Monitoring Process Revisions**

The DHCS County Monitoring Unit is revising county desk audit/site visit tools to include a sub-recipient pre-award risk assessment compliance review. Each county will be evaluated annually as “low,” “medium,” or “high” risk based on a review of prior year substance use disorder county monitoring reports, OMB A-133 audits, DHCS audits, and other pertinent information.

#### **DHCS Audits and Investigation Division Annual Audit Plan Revisions**

The DHCS Audit and Investigation Division’s annual audit plan will be revised to incorporate the sub-recipient pre-award risk assessment evaluation into their selection criteria of counties to be audited.

If you have any questions, please contact Thomas Wyant, at [Thomas.Wyant@dhcs.ca.gov](mailto:Thomas.Wyant@dhcs.ca.gov) or (916) 327-8974.

Sincerely,

Original signed by

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Mental Health & Substance Use Disorder Services