

## SUBRECIPIENT MONITORING

### PURPOSE

The [OMB Uniform Guidance](#), 2 CFR Part 200—UNIFORM ADMINISTRATIVE REQUIREMENTS, COST PRINCIPLES, AND AUDIT REQUIREMENTS FOR FEDERAL AWARDS section 200.331 requires prime recipients of federal funds to monitor subawards to ensure subrecipients meet the audit requirements and use funds in accordance with applicable laws, regulations and terms of the award.

This procedure applies to all subawards issued under both Federal and Non-Federal sponsored programs made to the University of San Diego (USD). This procedure does not apply to professional services and consultant agreements or the procurement of goods or services from contractors (procedures can be found on the [Procurement website](#)).

### EXPLANATIONS

USD is responsible for monitoring the programmatic and financial activities of its subrecipients in order to ensure proper stewardship of sponsored funds. This procedure addresses institutional responsibilities and assists Principal Investigators and staff in ensuring that, in addition to achieving performance goals, subrecipients comply with Federal laws and regulations and with the provisions of any agreements that govern the subaward.

As a non-profit recipient of more than \$750,000 in federal funds per fiscal year, USD must ensure that its subrecipients comply with the OMB Uniform Guidance. USD responsibilities include:

- Evaluating subrecipient risk to determine the appropriate level of monitoring
- Ensuring that federal funds are used for authorized purposes in accordance with Federal statutes, regulations, and terms and conditions of the subaward
- Reviewing financial and programmatic reports to ensure proper stewardship of sponsor funds
- Conducting on-going review of activities and overseeing subrecipient progress to ensure performance goals (scope of work or specific aims) are achieved
- Verifying that subrecipient is audited as required by audit requirements in Uniform Guidance
- Issuing management decisions on audit findings directly related to USD prime awards, after receipt of the subrecipient's audit report, and ensuring that subrecipients take appropriate and timely corrective action

Subrecipient monitoring responsibilities are shared among the following:

**Principal Investigators (PIs)** – PIs have the primary responsibility of monitoring subrecipients' progress; ensuring compliance with Federal regulations and the award terms and conditions of both the prime recipient and subrecipient; communicating with Office of Sponsored Programs (OSP) if changes need to be made to the statement of work, reporting requirements, budgeting, etc. PI's are also responsible for reviewing and approving subrecipient invoices, ensuring timely receipt of programmatic reports and identifying and following up on questioned expenditures, if necessary, and maintaining documentation of all monitoring efforts.

**Project Staff** – USD Staff who are charged with assisting PIs in their monitoring responsibilities are also responsible for reviewing subrecipient invoices, ensuring timely receipt of programmatic reports, identifying and following up on questioned expenditures, if necessary, and maintaining documentation of all monitoring efforts.

**Office of Sponsored Programs (OSP), Grants and Contracts Accounting (GCA), and Office of Internal Audit (IA)** – OSP, GCA, and IA review and approve certain high risk subrecipients at the proposal stage and as necessary during the life of the award; ensure that the University's subrecipient monitoring procedures comply with federal and other applicable regulations and are applied consistently; and regularly review subrecipient risk assessments, develop monitoring plans, and review results of subrecipient findings, corrective action plans, and other issues brought to their attention. OSP, GCA, and IA will also provide training and guidance on interpreting regulations and subrecipient award terms and conditions.

## DEFINITIONS

**Award** - A formal written agreement related to a USD sponsored project that is entered into by USD and Sponsor to support Federally-funded research, instruction, training, service or other scholarly activities. An Award is either: (i) Federal "Financial Assistance" (i.e., a Grant or a Cooperative Agreement under the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards in 2 CFR Part 200 ("Uniform Guidance"); or (ii) a Federal "Contract" under the Federal Acquisition Regulation in 48 CFR Parts 1 – 53 ("FAR").

**Contract** – 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. A contract 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. Procurement relationships are covered under the university's Procurement guidelines.

**Contractor** – an entity that receives a contract as defined in *Contract* (see definition above).

**Corrective Action** – action taken by the auditee that: (a) corrects identified deficiencies; (b) produces recommended improvements; or (c) demonstrates that audit findings are either invalid or do not warrant auditee action.

**Federal Funding Accountability and Transparency Act (FFATA)** - FFATA legislation requires that information on federal awards (federal financial assistance and expenditures) are made available to the public via a single, searchable website - [www.USASpending.gov](http://www.USASpending.gov).

**Federal Audit Clearinghouse (FAC)** – the clearinghouse designated by Office of Management and Budget (OMB) as the repository of record where non-Federal entities are required to transmit the reporting packages as required by Subpart F—Audit Requirements.

**Non-Federal entity** – non-Federal entity means a state, local government, Indian tribe, institution of higher education (IHE), or nonprofit organization that carries out a Federal award as a recipient or subrecipient.

**Pass through entity** – a non-Federal entity that provides a subaward to a subrecipient to carry out part of a Federal program.

**Prime Recipient** – a non-Federal entity that receives a Federal award directly from a Federal awarding agency to carry out an activity under a Federal program.

**Sponsor:** The party entering into an Award with USD and providing Federal funds to USD either directly (i.e., as a Federal agency) or as a pass-through entity.

**Subaward** – an award provided by a pass-through entity to a subrecipient for the subrecipient to carry out part of a Federal award received by the pass-through entity. 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** – 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 program. A subrecipient may also be a recipient of other Federal awards directly from a Federal awarding agency.

**Subrecipient Monitoring** – Activities undertaken to review the financial status and management controls of a subrecipient(s) to mitigate the risk of contracting with a subrecipient(s).

## **SUBRECIPIENT MONITORING**

USD takes a risk-based approach to subrecipient monitoring, focusing monitoring efforts more frequently on those subrecipients who are deemed to pose a greater risk for potential non-compliance.

**Risk Assessment:** Prior to a proposal submission USD requires a subrecipient commitment package to be completed by the proposed subrecipient institution. Components of the subrecipient package include but are not limited to:

- Statement of Work
- Budget and Budget Justification
- Letter of Commitment signed by an authorized representative
- Biosketches of all key personnel, in agency-required format
- Cost share documentation, including budget if applicable
- Other sponsor required materials
- F&A rate agreements
- Human and/or animal subjects or biosafety issues
- Certification of institutional Conflict of Interest policies
- Verification of debarments, suspensions and active agency exclusions
- Certifications by authorized officials
- Verification of compliance with audit requirements Subpart F CFR Part 200

OSP in collaboration with the PI and the subrecipient institution coordinates and compiles all required documentation for the subrecipient package and based on the information provided determines the risk level to be low, medium, or high. The level of risk determines the level of USD monitoring required when the subaward is issued.

**Low Risk**

1. Review audit reports and evaluate any findings; and
2. Review Subrecipient invoices to insure that:
  - i. Work is performed within the project period (and any applicable budget periods);
  - ii. They are complete and accurate;
3. The expenditures are allowable per Subaward budgets and University's PI approves as acceptable to issue payment.

**Medium Risk** - Perform all review steps as listed in the "Low Risk" category in addition to the following:

1. Determine how material any audit findings are in the audit reports and whether they pose an increased risk to Subrecipients' abilities to be in compliance and carry out their Statements of Work;
2. Request expenditure detail as supporting documentation for invoices on a monthly or quarterly basis, and evaluate documentation received for sufficiency; and
3. Request and review financial reports more frequently, if possible.

**High Risk** - Perform all review steps as listed in the "Low Risk" and "Medium Risk" categories in addition to the following:

1. Request expenditure detail as supporting documentation for all invoices;
2. Maintain regular contact with Subrecipients' PIs to ensure Subrecipients are meeting programmatic expectations and document communication in Subaward files;
3. Exercise the option to audit or consider performing a site visit or desk review; and
4. Withhold payments to Subrecipients if deemed necessary.

**Establishing Subawards:** Subawards are issued only after a fully executed award is received by OSP from the Sponsor. Following receipt of the award, OSP will prepare subawards.

All Subawards will include the following information as required by 2 CFR § 200.331(a):

1. Federal Award Identification Information;
2. All applicable flow-down provisions from the Award; and
3. Subrecipients' applicable F&A rates as verified by obtaining Subrecipients' F&A Agreements, or a *de minimis* rate of 10% modified total direct costs.

The USD OSP Contract Manager ("CM") will work with the subrecipient's PI and Contract Manager to negotiate terms and conditions and ensure that applicable requirements are met.

The CM will:

1. Verify that Subrecipients and Subrecipients' PIs have not been debarred or suspended;
2. Obtain protocol approval numbers as required (e.g. Institutional Review Board ("IRB")), Institutional Animal Care and Use Committee ("IACUC"), Institutional Biosafety Committee ("IBC");
3. Review the risk assignments;
4. Include special terms and conditions deemed necessary to mitigate risk of conducting business with Subrecipients. Special terms and conditions or other steps to mitigate risk include, without limitation:
  - i. Providing training materials and including acknowledgement statements in Subawards;
  - ii. Requiring additional, more detailed financial reports;
  - iii. Establishing detailed prior approval requirements; and
  - iv. Requiring additional, more detailed programmatic reporting.

## **Subrecipient Monitoring Procedures:**

**Principal Investigators (PIs)** and **Project Staff** should use the following subrecipient monitoring procedures when appropriate:

- PIs should communicate regularly with subrecipient PIs and review progress/programmatic reports or other specified deliverables on a timely basis to ensure the subaward funds are being used for authorized purposes and that performance goals are being achieved. Any issues should be investigated, documented, and resolved by the PI with notification to OSP of progress and resolution.
- PIs and/or Project Staff should monitor receipt of progress/programmatic reports or other deliverables for timeliness.
- PIs and/or Project Staff should perform an expense to budget comparison for cost-reimbursement subawards. The subrecipient's invoices are generally required to show both current period and cumulative expenses.
- PIs and/or Project Staff are responsible for reviewing and documenting the review of financial reports and invoices received from the subrecipient to ensure that they are in compliance with Federal statutes, regulations, and the terms and conditions of the subaward. The Subrecipient Invoice Checklist should be used as a guide for reviewing subrecipient invoices.
- PIs and/or Project Staff are responsible for verifying that the subrecipient is adequately meeting any cost sharing commitments made under the terms of the subaward and that the subrecipient's indirect costs as charged are in compliance with the indirect cost rate specified in the subaward.
- PIs and/or Project Staff should request that the subrecipient provide clarification of invoiced charges that appear unusual, excessive, or otherwise questionable. Project Staff may request detailed justification to verify the costs are allowable.
- Subrecipients not subject to the Audit Requirements in the Uniform Guidance (non-federal entities that expend less than \$750,000 in Federal awards during their fiscal year) may require additional monitoring to ensure compliance. For subrecipients identified as requiring closer scrutiny, PIs and Project Staff should work with OSP, GCA, and IA to establish additional channels of communication and monitoring method. Subrecipient monitoring plans should be developed as appropriate. Examples of additional monitoring steps include the following:
  - Imposing restriction on budget categories, rebudgeting and carry forward of funds
  - Requiring more detailed financial reports
  - Requesting Payroll records
  - Reimbursement based upon receipt of detailed invoices with supporting back up documentation
  - Conducting site visits to review administrative operations, observe programmatic operations and project performance

- PIs should communicate with OSP, GCA, and IA regarding any change in expectations of performance of work, payment terms, change in key personnel, reporting requirements, budgeting, deliverables, etc. If work stops or a change in the scope of work results, OSP, GCA, and IA should be notified and appropriate agreement changes implemented.

**Office of Sponsored Programs (OSP)** should use the following subrecipient monitoring procedures contacting PIs or Project Staff, when appropriate:

- Prior to routing a subaward in Cayuse, a risk assessment of the subrecipient will be performed to determine what measures (e.g. additional monitoring procedures, special terms and conditions) need to be taken to establish appropriate monitoring procedures.
- Verify that the subrecipient and the Principal Investigator (PI) of the subrecipient have not been debarred or suspended from receiving federal funds.
- For subrecipients deemed to require closer monitoring, USD may impose additional award conditions as needed. The award conditions may include the following:
  - Not allowing advance payments
  - Withholding authority to proceed to the next phase until evidence of acceptable performance within a given period of performance is received
  - Requiring additional, more detailed financial reports
  - Requiring additional project monitoring
  - Requiring attendance at technical or management assistance training
- Establishing additional prior approvals
- OSP, GCA, and IA are responsible for developing and maintaining subrecipient monitoring tools for the use of the USD Research community.
- OSP, GCA and IA will provide training and guidance in interpreting regulations and subrecipient award terms and conditions.

**Grants and Contracts Accounting (GCA)** should use the following subrecipient monitoring procedures contacting PIs, Project Staff or OSP, when appropriate:

- GCA will verify that subrecipients if applicable, are audited as required by the Audit Requirements in the Uniform Guidance and will review the subrecipients' audit reports to assess audit findings, if any.
- GCA will issue a management decision for audit findings that relate to awards USD makes to subrecipients and must do so within six months of acceptance of the audit report by the Federal Audit Clearinghouse ([FAC](#)).
- GCA is responsible for following-up and ensuring that the subrecipient takes timely and appropriate action on all deficiencies provided to the subrecipient directly related to USD prime awards detected through audits, on-site reviews, and other means.
- For subrecipients not subject to Audit Requirements of the Uniform Guidance, audited financial statements and/or completion of a financial controls questionnaire will be

requested.

- OSP, GCA, and IA are responsible for developing and maintaining subrecipient monitoring tools for the use of the USD Research community.
- OSP, GCA and IA will provide training and guidance in interpreting regulations and subrecipient award terms and conditions.

## SUBRECIPIENT INVOICE CHECKLIST

### PURPOSE

The Subrecipient Invoice Review Checklist is a tool designed for reviewing subrecipient invoices.

### Review by Principal Investigator and/or Project Staff

Most invoices do not include a large amount of expenditure detail, but if the answer to one or more of the questions below is “no”, work with your Grants and Contracts Accountant or contact the subrecipient for additional information.

Is the subaward fully-executed? Contact the appropriate OSP Point of Contact if there is not an approved subaward in files.	
Has a purchase order been created to pay the invoice(s) when approved? Contact Procurement to initiate a requisition if there is no PO in Oracle.	
Does the total amount of the invoice reconcile with the expenses listed by category? Sum the expenses by category to ensure that the total agrees to the invoice amount.	
Was the F&A calculated using the correct and agreed upon rate for the subrecipient? Re-calculate the F&A, excluding any expenses exempt from F&A as stated in the F&A agreement.	
Does the cumulative total on the invoice match the total paid-to-date in the university's financial system plus the amount of the current invoice?	
Is the invoice period clearly stated? Were all expenses incurred within the subaward start and end dates? If the invoice dates fall outside the subaward period, contact the subrecipient for justification or correction.	
Have the invoice number, period and expenses been checked for duplicates, gaps or other inconsistencies?	
Does the invoice reference the USD award number? If not, contact the subrecipient to add to future invoices.	
Have any progress reports required to date under the terms of the agreement been received and accepted?	
Are the expenditures on the invoice in line with the approved subaward budget? If, for example, travel expenses were not anticipated but appear on the invoice, contact the subaward Investigator for additional information.	
Do all expenses on the invoice appear to be allowable as categorized? Often, expenses such as postage, volunteer subject payments, or office supplies, require prior approval.	
Are the cumulative expenses within the overall approved budget amount? Ensure that subrecipients are not invoicing for amounts over the approved budget.	
Do the expenditures shown on the invoice seem reasonable in relation to the amount of time and work expected of the subrecipient to date?	
Does the invoice contain a signed certification as to the appropriateness of the charges?	
If the terms of the subaward include cost sharing requirements, does the invoice contain the required cost sharing information? Cost sharing expense must follow the same rules as expenses paid by the prime award. Ensure the cost sharing expenses comply with the agreement, including amounts and types of expenses.	



For final invoices, have any final technical, invention and property reports required by the award been received, reviewed and approved? Have all cost sharing requirements been met? Final invoices are only to be approved and signed if the PI is satisfied that the subrecipient has completed its performance under the award, submitted all required reports and/or other deliverables, and that the costs incurred are appropriate for that performance.	
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If all required progress reports are up to date and acceptable and the request for payment appears reasonable given the nature of the project and amount of work completed to date, sign off on the invoice and submit it to Accounts Payable for processing of payment.

## SUBRECIPIENT VS CONTRACTOR CLASSIFICATION

Before entering into a relationship with another entity for goods, services, or substantive work under a sponsored award to USD, a determination must be made regarding the nature of the entity's legal relationship to USD. (2 CFR 200.330). This classification determines the type of legal agreement required to document the relationship, determine the allocation of responsibilities, and define the appropriate application of indirect cost rates.

In determining whether a subrecipient or contractor relationship exists, the substance of the relationship is more important than the form of the agreement. USD uses judgment in classifying each agreement as a subaward or an independent consulting agreement. Misclassification may result in delays of subaward processing and/or significant errors in F&A budget calculations.

<u>Subrecipient</u> - A subaward is issued for the purpose of carrying out a portion of an award and creates an assistance relationship with the subrecipient. Many of the factors listed below are present.	<u>Contractor</u> - A contract is awarded for the purpose of obtaining goods and services for the non-Federal entity's own use and creates a procurement relationship with the contractor. Many of the factors listed below are present.
<u>The subrecipient:</u>	<u>The contractor:</u>
<ul style="list-style-type: none"><li>• Will be engaged to perform substantive, programmatic work (e.g. an important or significant portion of the research program or project)</li><li>• Participates in designing or conducting the work</li><li>• Is granted some element of programmatic control and discretion over how the work is carried out</li><li>• May seek to publish or co-author results</li><li>• Provides cost sharing or matching funds for which it is not reimbursed by USD</li><li>• Personnel are identified as having a key role in USD's proposal</li></ul>	<ul style="list-style-type: none"><li>• Is providing specified services in support of or ancillary to the research program or project</li><li>• Has not participated significantly in the design of the work</li><li>• Is not directly responsible for determining research or project results</li><li>• Has little or no independent decision making in the design or conduct of the work being completed</li><li>• Provides goods and services in the normal operations and markets these to a variety of customers (creating a procurement relationship)</li><li>• Normally operates in competitive environment</li><li>• Would not seek to publish or co-author results</li></ul>

USD must make case-by-case determinations as to whether each agreement it makes for the disbursement of funds casts the party receiving the funds in the role of a subrecipient or a contractor.

During the proposal phase or as prospective subrecipients are identified, it is required that the PIs or Project Staff complete the *Subrecipient Commitment Form*. The completed *Subrecipient Commitment Form* is submitted to OSP with the proposal. OSP reviews the completed *Subrecipient Commitment Form* and files it with the proposal documentation.

Prior to routing for leadership approval in Cayuse, the subrecipient monitoring package must be completed.

## Subaward Roles and Responsibility Matrix

	Principal Investigator	OSP Research Administrator	OSP Contract Manager	Grants Accounting Manager
<b>Proposal Stage</b>				
Determine if the proposed activity creates Subrecipient or Contractor (vendor) relationships.	✓	✓		
Obtain detailed Scopes of Work, Budgets, and Budget Justifications from Subrecipients and ensure the Subrecipients' roles on the project are clearly defined.	✓			
Obtain Subrecipient Commitment Forms (completed by Subrecipients)		✓		
Verify that the program and regulations allow Subawards.		✓		
Review Budgets for correct F&A rates and obtain F&A Agreements.		✓		
Verify Subrecipients are registered in any proposal submission systems (FastLane, eRA Commons, etc. if necessary).		✓		
Check SAM and FAPPIS to verify the Subrecipients and Subrecipient PIs have not been debarred or suspended			✓	
Complete Risk Assessments and Classify Subrecipients in Risk Categories using the Proposal Workflow.			✓	
<b>Subaward Review and Negotiation Stage</b>				
Review Risk Assessments			✓	
Review Subrecipients' audits to assess if additional monitoring may be required.			✓	
Verify if Subawards are subject to FFATA			✓	
Draft Subawards and include any special terms and conditions deemed necessary to mitigate risk.			✓	
Complete the Subaward review process			✓	
<b>Post-Award Stage</b>				
Review invoices from Subrecipients to ensure expenditures are allowable based on Subaward budgets.	✓			
Certify that the work performed by Subrecipients is being completed and is acceptable by signing Subrecipients' invoices in a timely manner.	✓			

	Principal Investigator	OSP Research Administrator	OSP Contract Manager	Grants Accounting Manager
<b>Post-Award Stage (continued)</b>				
Maintain regular contact with Subrecipients regarding all technical aspects of the Subawards.	✓			
Ensure that all deliverables required by Subawards are being completed and provided.	✓			
Communicate with Subrecipients throughout the project period regarding any programmatic, administrative and/or financial issues that may arise.	✓	✓	✓	✓
Communicate with Grants Accounting and OSP about any deliverable or performance-related issues.	✓			
<b>Subaward Closeout Stage</b>				
Verify that final invoices are received and marked "final."	✓			
Review all financial reports for completeness and accuracy.	✓			✓
Review all technical/programmatic reports for completeness and accuracy and inform Grants Accounting and OSP of any concerns.	✓			
Inform OSP as to the overall experience with the Subrecipients.	✓			
Document the overall performance of the Subrecipients for future use in assessing the risk classification of Subrecipients.	✓		✓	✓