

Subrecipient Monitoring

Policy Charge

Subrecipient monitoring

Purpose

Office of Management and Budget (OMB) Uniform Guidance (UG) 2 CFR 200 assigns certain responsibilities to primary recipients of federal awards that, in turn, grant subawards to other organizations. These primary recipients are termed "pass-through entities". §200.330, §200.331, and §200.500 require pass-through entities to monitor the activities of subrecipients to ensure that federal awards are used appropriately and that performance goals are achieved. Pass-through entities must also ensure that subrecipients meet any audit responsibilities. This document provides information to assist The University of Texas at Dallas (UTD) in complying with the above requirements.

Policy Statement

All federal award recipients are required to maintain and monitor each subaward or subrecipient supported by funds the institute receives from the federal government. All subcontract documents must describe applicable laws and regulations required to be followed by the subrecipients. All subrecipients expending federal funds of \$750,000 or more in grant dollars must perform a fiscal year audit and should be monitored routinely by UTD in accordance with UG. UTD must ensure compliance with federal laws, regulations, contract and grant agreement provisions and that performance goals are achieved by the subrecipients. The subrecipient monitor processes include:

- Verify the subrecipient qualifies as a subrecipient
 - Perform a risk assessment determination
 - Review and monitor the subrecipient budgets
 - Obtain pertinent information (protocols, institutional tax status, negotiated F&A rates, current fringe rates, etc.)
 - Review the evaluation of subrecipients A-133 audit report
 - Evaluate suggested corrective actions for audit deficiencies
 - Maintain a tracking system for reporting findings and responses
 - Collect performance reports, as application
 - Provide technical assistance to subrecipients, as needed
- In summary, UTD is responsible for:
- Inform subrecipients of related federal awards and applicable requirements
 - Monitor subrecipients' activity
 - Ensure subrecipients meet the audit requirements of UG
 - Issue management decisions about relevant subrecipient audit findings
- To assist with meeting these requirements, three exhibits are provided:
- Exhibit 1 - Subrecipient Risk Assessment Questionnaire (to evaluate each subrecipients risk of noncompliance with Federal regulations) - To be supplied by Office of Sponsored Projects(OSP)
 - Exhibit 2 - Sub vs Contractor Determination Form - To be supplied by OSP
 - Exhibit 3 - Subrecipient Audit Certification Request (to be completed annually by subrecipient)
 - Exhibit 4 - Management Decision Letter (to be issued when a response to the certification request in Exhibit 3 indicates finding(s) relevant to UTD, and when the corrective action plan is acceptable. When the plan is unacceptable, a management decision should be drafted on a case by case basis.)
- Institutions not subject to the provisions of §200.500 or expend less than \$750,000 in federal funds will receive a ranking to determine the frequency of monitoring.

Definitions and Terms

As stated in OMB UG:

Federal Award:

Federal financial assistance and federal cost-reimbursement contracts that non-federal entities receive directly from federal awarding agencies or indirectly from pass-through entities. It does not include procurement contracts used to buy goods or services from vendors.

Limited Scope Audit:

For purposes of the subrecipient monitoring requirements of UG, limited scope audits only include agreed-upon procedures engagements conducted in accordance with either the AICPA's (American Institute of Certified Public Accountants) generally accepted auditing standards or attestation standards, that are paid for and arranged by a pass-through entity and address only one or more of the following types of compliance requirements: activities allowed or unallowed; allowable costs/ cost principles; eligibility; matching, level of effort, earmarking; and reporting.

Pass-through Entity:

A non-federal entity that provides a subaward to a subrecipient to carry out part of a federal program.

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. The term recipient does not include subrecipients.

Research and Development:

All research activities, both basic and applied, and all development activities that are performed by a non-federal entity.

Single Audit:

An audit which includes both the entity's financial statements and the federal awards.

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.

Distinctions between Subrecipients and Contractors:

With respect to a federal award, an entity may be a recipient, a subrecipient, or a contractor. Federal awards expended as a recipient or a subrecipient are subject to audit or other requirements of OMB UG. Payments made to or received as a contractor are not considered federal awards and are therefore not subject to such requirements. The following information is presented to assist with identifying subrecipient versus contractor relationships:

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. As stated in OMB UG §200.330: Characteristics indicative of a federal award received by a subrecipient are when the organization:

1. Determines who is eligible to receive federal financial assistance;
2. Has its performance measured against whether the objectives of the federal program are met;
3. Has responsibility for programmatic decision-making;
4. Has responsibility for adherence to applicable federal program compliance requirements;
5. Is responsible for adherence to applicable federal program requirements specified in the Federal award;
6. Uses 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.

When determining whether a subrecipient or contractor relationship exists, the substance of the relationship is more important than the form of the agreement. It is not expected that all of the characteristics will be present and judgment should be used in determining whether an entity is a subrecipient or contractor. For example, a provider of professional services could be a subrecipient or contractor, depending on the facts and circumstances.

Contractor:

As stated in OMB UG §200.330: Contractor is a dealer, distributor, merchant, or other seller providing goods or services that are required for the conduct of a Federal program. Characteristics indicative of a procurement relationship between UTD and a contractor are when the contractor:

1. Provides the goods and services within normal business operations;
 2. Provides similar goods or services to many different purchasers;
 3. Normally operates in a competitive environment;
 4. Provides goods or services that are ancillary to the operation of the federal program;
 5. Is not subject to compliance requirements of the federal program.
- The University's compliance responsibilities for vendors typically are to ensure that the procurement, receipt, and payment for goods and services comply with laws, regulations, and the provisions of contracts or grant agreements.

Guidelines

Responsibilities

Responsibility for following these guidelines lies primarily with Principal Investigators (PIs), their Department Chairs or other direct supervisors, and unit-level fiscal personnel with the general guidance and oversight of the colleges, schools, and divisions.

Principal Investigators (PIs)

PIs have primary responsibility for monitoring subrecipients to ensure compliance with federal regulations and both prime and subrecipient award terms and conditions. The federal government places the primary responsibility for management of federally funded projects with the PI. This includes:

- Monitor subrecipient's technical and programmatic activities related to the subaward;
- Review of technical/performance reports as required;
- Verify that the subrecipient work is conducted in a timely manner and that the results delivered are in line with the proposed statement of work;
- Review and approve subrecipient invoices, including expenditures to ensure charges are allowable, allocable, reasonable, and within the period of performance;
- Maintain regular contact with the subrecipient;
- Begin subrecipient review at least 90 days prior to conclusion of the subaward period of performance;
- Allow for department and PI to make any budgetary action or requests for extensions to sponsor
- Review final invoice
- Ensure all deliverables have been met

Departmental Administrators

Department Administrators should assist PIs in carrying out their subrecipient monitoring responsibilities. This includes:

- Review invoices from subrecipient to ensure they are within the parameters of the subaward budget and question expenditures, if necessary. Verify the following:
 - Correct subrecipient and cost center number are provided;
 - Total amount of award is listed and accurate;
 - Time period of invoice coincides with the previous invoice;
 - It generally should not overlap, have gaps in time, or exceed the project end date (except in special approved cases)
 - The current and cumulative total is in accordance with the approved budget(s), including any line-item categories and total amounts
 - If any discrepancies follow-up with subrecipient, as necessary
- Ensure that invoices are approved by the PI or his/her designee and submitted to Accounts Payable on a timely basis;
- Request clarification from the subrecipient regarding any unusual or excessive charges;
- Maintain copies of all invoices that provide evidence of the regular review of invoices by the PI:
 - "Evidence" can be in the form of authorized signature by the PI or his/her designee, PIs initials, email communications, or notes of meeting between the PI with the department administrator;
- Maintain documentation of monitoring efforts (copies of emails, phone log, etc).

Office of Sponsored Programs

OSP is responsible for the oversight of subrecipient documentation (including award and audit certification documentation requirements) and ensuring that the UTD's subrecipient monitoring procedures are compliant with federal and other applicable regulations. These responsibilities include:

- Verify the subrecipient meets the UG definition of subrecipient, utilizing the Sub vs. Contractor Determination Form (EXHIBIT 2)
- Include all required information per UG §200.331
- Determine whether the subrecipient or its PIs are debarred or suspended from receiving federal funds
- Perform a Risk Assessment (EXHIBIT 1) for all subrecipients
 - Perform site-visits based on Risk Assessment level of risk (high risk only)
 - As regulated in UG §200.331(e)
- Maintain all subrecipient information in PeopleSoft Award Module
 - subrecipient and PI name
 - Budget amounts
 - Subaward begin/end dates
 - Amendments to contract information
 - Dates
 - Budget
 - Annually review all active subawards
 - Request Audit Certification Letters from all subrecipients expending \$750,000 or more in federal funds during the subrecipient's fiscal year. (EXHIBIT 3)
 - Review returned certification letters to verify that no audit findings related to federal funds provided by UTD are reported.
 - If no findings are indicated, OSP will save the certification on the G:drive and no further action is necessary.
 - If findings are indicated, OSP will make a management decision:
 - The management decision (EXHIBIT 4) must be issued within 6 months of receipt of the audit report;
 - Prior to issuing the management decision, UTD may request additional information or documentation from the auditee, including a request for auditor assurance related to the documentation, as a way of mitigating disallowed costs;
 - Send Management Decision Letter to subrecipient containing the following:
 - Whether or not the audit finding is sustained.
 - Reason for the decision.
 - Expected auditee action – repay disallowed costs, make financial adjustments, or take other action.
 - If the auditee has not completed corrective action, a timetable for follow-up should be given.
 - Any appeal process available to the auditee.
 - Retain all documentation in official award files.

Office of Post Award Management(OPM)

OPM is responsible for oversight of the financial management of subrecipient monitoring and ensuring that the UTD's subrecipient monitoring procedures are compliant with federal and other applicable regulations. These responsibilities include:

- Monitoring the subrecipients' fiscal activity
 - Maintain a tracking spreadsheet of subawards

- Used as audit source of all subawards
 - Identifies active Subrecipients
 - Provide OSP annual list of subrecipients requiring audit certification letters
 - Compare list to subrecipients information in PeopleSoft Award Module
 - Discrepancies require follow-up with OSP information
 - Identifies status of subrecipient budget information
 - Budget amounts by account code
 - Expenses
 - Encumbrances
 - Budget available
 - Identifies Audit Certification Letter status
 - Sent out
 - Received
 - Ensure cost center is budgeted correctly
 - Budgeted as Federal, State, or Other based on source of funds
 - Over and under \$25,000 budgeted correctly
 - Account codes for over and under \$25,000 correct
 - Monitor to ensure expenses are being expenses accordingly
 - Indirect Cost budget – budgeted correctly to ensure sufficient funds
 - Ensure the department is producing the correct purchase order amount for the subaward
 - Review and approve subrecipient fiscal transactions
 - Review Purchase Orders for budget availability and allowability
 - Ensure the charges are allowable, allocable, reasonable, and within the period of performance
 - Contact departments to resolve any issues
 - Closeout - Notify PI to begin review at least 90 days prior to conclusion of the subaward period of performance – see PI responsibility for further information on close-out

Subrecipient Risk Assessment Questionnaire

EXHIBIT 1

The University of Texas at Dallas is required per 2 CFR 200.331(b) at a minimum, “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. . .”

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Sub vs Contractor Determination Form

EXHIBIT 2

Checklist to Determine Subrecipient or Contractor / Vendor / Consultant Classification

WHEN TO USE THIS FORM:

The Uniform Guidance effective December 26, 2014 implements new definitions of Contractor and Subrecipient. Generally, the determination of the relationship with an external entity is verified through the institutional review of the proposal narrative, budget justification, and other related proposal documents, including a description of the work to be performed, as well as through discussions with key personnel prior to proposal submission. Once awarded, this form will be used to provide documentation evidence of the decision making process for audit purposes.

DEFINITIONS FROM UNIFORM GUIDANCE (2 CFR ,PART200):

Subrecipient:

§200.93 Subrecipient means a nonfederal entity that receives a subaward from a passthrough 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.

Contractor (akaVendor):

§200.23 Contractor means an entity that receives a contract as defined in §200.22 Contract.

§200.22 Contract means a legal instrument by which a nonfederal entity purchases property or services needed to carry out the project or program under a federal award.

INSTRUCTIONS:

Complete sections one and two of the checklist by marking all characteristics that apply to the outside entity. The section with the greatest number of marked characteristics indicates the likely type of relationship the entity will have with the University. On occasion there may be exceptions to the type of relationship indicated by the completed checklist. In these situations, the substance of the relationship should be given greater consideration than the form of agreement between the University and the outside entity. Section 3 should be used to provide documentation on the use of judgment in determining the proper relationship classification.

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Subrecipient Audit Certification

Exhibit 3

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Management Decision Letter

Exhibit 4

Sample letter to be issued when a subrecipient has an audit finding (or findings) related to the University and when their corrective action plan is acceptable. When applicable, the letter should further address situations where costs are disallowed and require repayment, financial adjustments are necessary, or other action is needed. In those cases, the management decision should describe any appeal process available to the auditee. Those corrective action plans that may not be acceptable to the University should be handled on a case-by-case basis. Name of Subrecipient Date Address of Subrecipient Re: **Contract Number**

We have completed our review of the reporting package for **name of organization** for the period ending **fiscal year end**. Based on our review of your corrective action plan for the finding number(s) ***list reference number(s) per report*** related to the, it appears your plan will reasonably address the related finding(s). If, however, you do not implement your plan as intended or your plan does not adequately address the finding(s) noted, you are required to notify the of further corrective action plans. If you have any questions, please contact our office at **phone number**. Sincerely, Applicable Personnel

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BROKEN LINKS