

Office of Sponsored Programs
Subcontract and Subrecipient Monitoring
Policies and Procedures

Administration and Monitoring of Subrecipient Agreements Issued to Third Parties

Purpose

1. To provide guidance regarding the Southern University and A&M College (SUBR) monitoring and supervision obligations as the primary recipient when accepting sponsored funding and assigning responsibility for conducting a portion of the work to another entity through a subaward agreement.
2. To assure compliance with Office of Management and Budget (OMB) Uniform Guidance 2 CFR200 which contains the federal regulations regarding these obligations.
3. To explain the SUBR's policies and procedures established to comply with those regulations.

Parties

These policies and procedures apply to all subawards issued under sponsored awards made by Southern University and A&M College (SUBR). They are intended for use by Principal Investigators, Office of Sponsored Programs (OSP) and Administrators to define their respective roles and responsibilities for subrecipient monitoring. This procedure does not apply to consulting agreements or other forms of vendor procurement.

Definitions

Pass-through entity *Uniform Guidance §200.1*

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

Subrecipient *Uniform Guidance §200.1*

Subrecipient means an entity, usually but not limited to non-Federal entities, that receives a subaward from a pass-through entity to carry out part of a Federal award; but does not include an individual that is a beneficiary of such award. A subrecipient may also be a recipient of other Federal awards directly from a Federal awarding agency.

Subaward *Uniform Guidance §200.1*

Subaward means 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 agreement, subcontract, or consortium agreement), dependent upon the nature of the prime award.

Subrecipient Monitoring

Subrecipient monitoring includes activities undertaken to review the financial status and management controls of a subrecipient to mitigate the risk of entering into an agreement with a subrecipient organization. It also includes Monitoring the activities of the subrecipient to ensure

that the subaward is used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subaward.

Procedure Declaration

It is the policy of SUBR to administer subawards consistent with the requirements of the OMB Uniform Guidance 2 CFR200, and in accordance with the requirements of the institution, the applicable sponsor regulations, and the terms and conditions of the prime award. As the prime sponsored award recipient (the Pass-through entity), the SUBR is responsible for ensuring that performance goals are achieved, and the scope of work is met while sponsor funds are managed appropriately. The goal of the procedures described below is to ensure that the subaward satisfies institutional and governmental reviews as well as governmental audits while providing adequate supervision of the research enterprise at SUBR.

Subrecipient Administration and Monitoring Procedures

I. Background

Concept of Substantive Work. Sponsored research awards made to SUBR are generally conducted within the physical boundaries of the institution. On occasion, substantive programmatic work is carried out by one or several institution(s) that are made responsible for a portion of a project awarded to SUBR. The concept of **substantive work conducted by a third party** is defined as follows:

- Project activities that are a primary purpose of the research program which, for whatever reason, are not conducted at the University. These activities constitute a significant portion of the research program and require the leadership and direction of a responsible investigator located at the work site of the cooperating entity.

Substantive work usually encompasses any one or more of the following: Personnel Costs, Supplies, Equipment, Travel, and Facilities & Administrative (F&A) costs needed by a third party (i.e., industry, university, etc.) who is performing a portion of a research project under an award made to SUBR.

Distinction Between a Subrecipient and a Contractor. OMB Uniform Guidance also makes a distinction between a subrecipient (substantive work) and a contractor:

- A **subrecipient** means an entity, usually but not limited to non-Federal entities, that receives a subaward from a pass-through entity to carry out part of a Federal award; but does not include an individual that is a beneficiary of such award. A subrecipient may also be a recipient of other Federal awards directly from a Federal awarding agency.
- A **Contractor** means an entity that receives a contract, which is defined as “for the purpose of Federal financial assistance, a legal instrument by which a recipient or subrecipient purchases property or services needed to carry out the project or program under a Federal award.

SUBR, as the pass-through entity, must make a case-by-case determination whether each agreement it makes for the disbursement of Federal funds models the party receiving the funds in the role of a subrecipient or a contractor.

According to OMB Uniform Guidance, characteristics which support the classification of the non-Federal entity as a **subrecipient** include, when the non-Federal entity:

- Determines who is eligible to receive what Federal assistance;
- Has its performance measured in relation to whether objectives of a Federal program were met;
- Has responsibility for programmatic decision making;
- Is responsible for adherence to applicable Federal program requirements specified in the Federal award; and
- In accordance with its agreement, 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.

Characteristics indicative of a procurement relationship between the non-Federal entity and a **contractor** are when the non-Federal entity receiving the Federal funds:

- Provides the goods and services within normal business operations;
- Provides similar goods or services to many different purchasers;
- Normally operates in a competitive environment;
- Provides goods or services that are ancillary to the operation of the Federal program; and
- Is not subject to compliance requirements of the Federal program as a result of the agreement.

Not all of the characteristics need to be or will be present to determine whether another non-Federal entity is modeled as a subrecipient or a contractor, and the Uniform Guidance states that judgment should be used in each case.

II. Subrecipient Selection and Review

Preparing Proposals with Outgoing Subawards. An SUBR investigator who plans to include another institution to undertake responsibility for a substantive portion of the programmatic effort described in a proposal must provide a number of documents from the proposed subrecipient institution in advance as part of proposal submission. At a minimum, these documents include:

- Letter of commitment to participate in the project and abide by all the associated terms and conditions;
- Statement of work, including identification of the use of human subjects and/or animals;
- Detailed budget and budget justification.
- Other documents as required by application/solicitation guidelines.

The PI should select a subrecipient based on his/her assessment of the subrecipient's ability to perform the work successfully. This should include an analysis of the subrecipient's past

performance and technical capability as well as an assessment of the proposed costs for the work to be done.

Risk Assessment. OSP Pre-Award is responsible for conducting subrecipient risk assessments on behalf of the University. OSP Pre-Award conducts such risk assessments using a variety of tools including, but not limited to, the “Subrecipient Questionnaire Form.”

The Subrecipient Questionnaire form requests a variety of information regarding the financial status of the proposed subrecipient entity. In general, the timing of this assessment will normally occur when the prime award appears to be imminent, such as during NIH’s “Just-In-Time” (JIT) period, or at the point of award. However, OSP Pre-Award may at its discretion issue the questionnaire at the time of proposal submission if there is a risk to timely subaward issuance.

Once the questionnaire is returned, OSP Pre-Award will complete the “Subrecipient Risk Analysis Form.” If the risk analysis results in a high level of financial risk, OSP Pre-Award will consult with OSP Post-Award. As necessary, OSP will consult with the University Comptroller and/or the Office of General Counsel. OSP will develop a proposed risk mitigation strategy that may include special terms and conditions in the subaward agreement or other forms of more robust monitoring procedures in accordance with the OMB Uniform Guidance. In rare instances, SUBR may determine that the risk of entering into a subaward with the proposed entity is excessive and not move forward with executing the agreement.

III. Negotiating and Executing Subrecipient Agreements

Subrecipient Compliance and Assurance. As the prime recipient of an award which includes one or more outgoing subawards to other entities, the University has the responsibility for ensuring that all research under the prime award is conducted and administered in compliance with sponsor requirements and University policies. The subrecipient organization must certify that it will comply with all appropriate representations, approvals, assurances, and certifications related to the research project—including human subjects, animals, export controls, and financial conflict of interest—before the subaward can be fully executed.

Standard Terms in a Subaward. A subaward will generally include terms and conditions that address the following as appropriate (**Note:** This list is not all inclusive. The terms and conditions will be dictated by the prime award and/or risk level of the subrecipient):

- Implementation of any appropriate and necessary risk mitigation strategies;
- Compliance with OMB Uniform Guidance requirements regarding the reporting of any problem related to the subaward identified in an annual audit and submission of corrective action plans for review by the University;
- Mandatory flow-down provisions from the prime award;
- Non-financial reporting requirements;
- Period of performance and termination;
- Financial terms and conditions including: fixed price or cost reimbursement, billing requirements, and payment terms;
- Ownership of intellectual property and data;

- Access by the University and appropriate external audit agencies to grant records related to the subaward when deemed appropriate by the University and/or its sponsor;
- Certification of invoices that costs conform to conditions of allowability and support the performance of work.
- Certification that the subrecipient nor its principals are presently suspended or debarred.

Subawards issued under a federal prime award will include the following information as required by OMB Uniform Guidance:

1. Federal Award Identification.
 - Subrecipient name (which must match the name associated with its unique entity identifier);
 - Subrecipient's unique entity identifier;
 - Federal Award Identification Number (FAIN);
 - Federal Award Date (see the definition of *Federal award date* in [200.1 of this part](#)) of award to the recipient by the Federal agency;
 - Subaward Period of Performance Start and End Date;
 - Subaward Budget Period Start and End Date;
 - Amount of Federal Funds Obligated by this action by the pass-through entity to the subrecipient;
 - Total Amount of Federal Funds Obligated to the subrecipient by the pass-through entity including the current financial obligation;
 - Total Amount of the Federal Award committed to the subrecipient by the pass-through entity;
 - Federal award project description, as required to be responsive to the Federal Funding Accountability and Transparency Act (FFATA);
 - Name of Federal awarding agency, pass-through entity, and contact information for awarding official of the Pass-through entity;
 - Assistance Listings number and Title; the pass-through entity must identify the dollar amount made available under each Federal award and the Assistance Listings Number at time of disbursement;
 - Identification of whether the award is R&D; and
 - Indirect cost rate for the Federal award (including if the de minimis rate is charged) per [200.414](#).
2. 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.
3. 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.
4. An approved federally recognized indirect cost rate negotiated between the subrecipient and the Federal government or if no approved rate exists, the de minimis indirect cost rate will be used by the pass-through entity. SUBR will not negotiate indirect cost rates with subrecipients.
5. A requirement that the subrecipient permit the pass-through entity and auditors to have access to the subrecipient's records and financial statements as necessary for the pass-through entity to meet the requirements of this part; and
6. Appropriate terms and conditions concerning closeout of the subaward.

IV. Post Award Subrecipient Monitoring

As a Pass-through entity, SUBR must monitor the subrecipient to ensure that the subaward is used for authorized purposes, is in compliance with Federal statutes and regulations, and achieves performance goals. In accordance with OMB Uniform Guidance, SUBR's subrecipient monitoring activities include:

- Reviewing financial and programmatic reports as required by the Subaward;
- Following-up and ensuring that the subrecipient takes timely and appropriate action on all deficiencies pertaining to the Federal award detected through audits, on-site reviews, and other means;
- Issuing a management decision for audit findings pertaining to the Federal award as required;
- Verifying that every subrecipient is audited as required by OMB Uniform Guidance;
- Considering 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; and
- Considering taking enforcement action against noncompliant subrecipients.

SUBR must also evaluate each subrecipient's risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward. Such factors to consider in making the evaluation may include:

- 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;
- Whether the subrecipient has new personnel or new or substantially changed systems; and
- The extent and results of Federal awarding agency monitoring.

Depending upon the assessment of risk posed by the subrecipient, the following monitoring tools 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; and
- Arranging for agreed-upon-procedures engagements.

If any material issues are discovered in the activities described above, OSP Post-Award will review to determine if further monitoring techniques or corrective action plans will be needed. In these instances, OSP Pre and Post-Award will implement corrective actions and increase the level and/or frequency of monitoring procedures for the respective subrecipient.

V. Closeout of Subrecipient Agreements

Early Termination. Early termination of a subrecipient agreement may occur for a number of reasons, all of which may be problematic. Reasons for early termination include, but are not limited to:

1. failure of the subrecipient to perform,
2. relocation or illness of the subrecipient's principal investigator, or
3. termination by the project's sponsor.

The subrecipient agreement must authorize early termination and specify the conditions. With regard to failure to perform, the SUBR's principal investigator and/or OSP should maintain and retain documentation supporting the lack of progress by the subrecipient (for example, by not approving invoices because of inadequate progress) and recorded communications with and efforts to correct the situation.

If the sponsor terminates the project, SUBR has the responsibility to represent the subrecipient's interests towards a fair and orderly closeout and settlement. The subaward provisions should allow for payment of all non-cancelable costs, if applicable, prior to the date of termination, if this is consistent with the prime award. In early termination, the sponsor usually still requires the submission of all reports. Therefore, closeout procedures will be very similar, if not identical, to the procedures followed if the project had continued to the projected termination date.

Subaward Closeout. Before a final invoice can be paid, the SUBR's PI must certify that all technical reports and /or deliverables have been received and that the subrecipient has fulfilled its obligations. Final verification of technical completion by the subrecipient is indicated by the PI's signature and date on the final invoice. In addition, final close out documents [residual property; inventions and discoveries (including a negative report); subrecipient's release forms (where applicable), final risk assessment review; final audits (desk, assist when necessary)] are required.

All subrecipient files must be retained for a minimum of 3 years after submission of final expenditure to prime sponsor.

Related Reference

[OMB Uniform Guidance](#)