

## **Subrecipient Monitoring Guidelines**

This document provides guidance and procedures for the administration of subawards issued under sponsored awards made to Purdue University. These guidelines seek to:

- Promote stewardship of funds used to pay Subrecipient organizations;
- Promote appropriate roles and responsibilities for contractual Subrecipient relationships;
- Promote compliance with federal, state, and other legal requirements related to Subrecipient monitoring; and
- Ensure that the University and its sponsors receive value for funds expended.

Purdue University monitors the programmatic and financial activities of its Subrecipients in order to ensure:

- Proper stewardship of sponsor funds;
- That performance goals (scope of work or specific aims) are achieved. The terms of the Subrecipient relationship shall be documented in a negotiated agreement by the Sponsored Program office and by an authorized representative of the recipient organization. Compliance with the terms and conditions of such agreements will be monitored during the life of the agreement.

When a Principal Investigator has an interest in or a relationship with the Subrecipient entity, it shall be disclosed and, where appropriate, managed by the University's Conflict of Interest Committee (<http://www.purdue.edu/research/vpr/rschadmin/coi/index.php>).

### **Reason for the Guidelines**

As a condition of its acceptance of funding from sponsors, the University is obligated in its role as primary recipient to undertake certain stewardship activities as well as comply with federal, state and local regulations. When the University assigns responsibility for conducting a portion of the work sponsored by an award to a Subrecipient, the University remains responsible to the sponsor for management of funds and meeting performance goals. Thus, the monitoring of technical and financial activities associated with a Subrecipient is an integral part of the University stewardship of sponsor funds.

### **Definitions:**

**Award:** Federal financial assistance that provides financial support to accomplish a public purpose. An award can be a grant, a cooperative agreement or a contract.

**Subaward:** An award (also referred to as a Subgrant if the prime award is a grant or subcontract if the prime award is a contract) of financial support from a

prime awardee (e.g., Purdue) to a qualified organization for the performance of a substantive portion of the program funded under the prime award. The term also includes awards made by a Subrecipient to a lower tier Subrecipient. It does not include procurement of goods and services funded by a prime award, i.e., vendors are not considered Subrecipients.

**Subrecipient:** means the legal entity to which a subaward is made and which is accountable to the University for the use of the funds provided in carrying out a portion of the University's programmatic effort under a sponsored project. The term may include institutions of higher education, for-profit corporations and foreign or international organizations (such as agencies of the United Nations) at the discretion of the Federal awarding agency.

## **Guideline Sections**

**Pre-Qualification of Subrecipients:** The University will assess the Subrecipient organization's financial status and internal controls and will establish terms and conditions in the Subrecipient agreement consistent with the level of perceived risk.

**Subrecipient Monitoring:** The University shall perform the following stewardship activities with regard to Subrecipients of its sponsored awards:

1. The Office of the Vice President for Research will recommend the means to eliminate or manage any conflict of interest arising from a proposed subaward by the University to an entity in which the University or a faculty member has a financial interest or fiduciary relationship.
2. Advise Subrecipients of requirements (including but not limited to financial and non-financial reporting) imposed on them by federal laws, regulations of the flow-down provisions of the prime contract or grant agreement and any supplemental requirements imposed by the University dependent on level of risk as determined by the University.
3. The University shall provide the best information available to describe a federal award to each Subrecipient including the Catalog of Federal Domestic Assistance (CFDA) title and number, award name and number, award year, the type of award, and the name of the federal sponsor as required by OMB Circular A-133.
4. Monitor the costs and activities of Subrecipients as appropriate, to confirm that funding provided to the Subrecipient is used for purposes authorized in the negotiated agreement and that performance goals (scope of work or specific aims) articulated in the scope of work are achieved.

5. Upon receipt of an unfavorable audit report from a Subrecipient, the University will confirm that the Subrecipient has taken appropriate and timely corrective action. If a material weakness or other reportable condition exists, monitoring of the Subrecipient will be more frequent and management actions will be taken as appropriate.
6. Require each Subrecipient to permit the sponsor and/or the University and its auditors to have access to the Subrecipient's pertinent records and financial statements, as necessary. Where it is not possible to obtain this access, alternate solutions may be devised but generally would require the approval of the primary sponsor.
7. Confirm that Subrecipients expending \$500,000 (for fiscal years ending after December 31, 2003) or more in federal awards during the Subrecipient's fiscal year are compliant with OMB Circular A-133 audit requirements.

**Roles and Responsibilities (Refer to "link under construction" for specific procedures designed to assure compliance with this policy)**

**Pre-Award Roles and Responsibilities:**

- Responsible for requesting the Negotiated Indirect Cost Recovery Agreement (NICRA) approval and the fringe benefit rates used in the proposal. This request will be made using the Subrecipient Commitment Form. When preparing the route sheet, notate if NICRA and fringe benefit rates have been provided
- Verify correct rates are being used.
- Determine if a subcontract is the best instrument for awarding funds rather than a procurement agreement
- Verify the Subrecipient and Principal Investigator (PI) have not been debarred or suspended from receiving federal funds at <https://www.sam.gov/portal/public/SAM/>.
- Verify that the program laws and regulations allow subawards.
- Obtain the statement of work, budget, and corresponding budget justification from the subrecipient.
- Upload the documents to COEUS
- If the documents are not provided prior to submission, follow up with the subrecipient. Contact a minimum of two times to try to get the information. After the second request the staff member should notify the PI or appropriate individual of the missing information and ask for assistance. At this time, the staff member should also notify the PI that any missing subrecipient information will delay the setup of the accounts if the project is funded.

- Follow up dates and contacts should be included on the route sheet if the staff member cannot get the required information.

### **Post-Award Roles and Responsibilities:**

- Review all documentation for awards received containing subawards.
- Review budget to ensure correct indirect cost rate, fringe benefit rate and budget is reasonable and costs are allowable.
- Verify if subaward is subject to FFATA subaward reporting requirements ([http://www.purdue.edu/business/sps/pdf/FFATA\\_Handbook.pdf](http://www.purdue.edu/business/sps/pdf/FFATA_Handbook.pdf)).
- Analyze the risk by using the Subrecipient Commitment.
- Items that may put the Subrecipient in the "High-Risk" category are the following:
  1. Findings on their most recent A-133 audit report that relate to sponsored program activity
  2. The subrecipient does not have an annual A-133 audit
  3. The subrecipient is a foundation or corporation
  4. The entity has a history of non-compliance
  5. Program complexity
  6. Percentage passed through

If the Subrecipient or Program is determined to be "High Risk", the [Subrecipient Monitoring Procedures](#) provides guidance for monitoring.

- Prepare the [Cost Analysis Worksheet](#). The following is a brief description of the key components that will indicate to the contract analyst what language to put in the agreement:

### **Contracting Process:**

#### **Post-Award Responsibilities:**

- Review the Subrecipient information for appropriate financial information. If information is not included with the proposal, work with the Subcontractor and PI to obtain the information.
- Prepare [Cost Analysis Worksheet](#) and send to appropriate contract clerk.
- Attach the [invoice template](#) as part of the subagreement.
- Forward a copy of the fully executed subaward to the business office.

#### **Contracting Responsibilities:**

- Initiate the issuance of a subaward incorporating terms and conditions of the primary award.
- Send two originals to Subrecipient for signature.

- Route returned agreement for appropriate Purdue University signature.
- Forward the fully-executed original to the Subrecipient and a copy to the appropriate Post-Award Account Manager.

### **Amendments**

The PI will determine when a subaward is to be amended. Common reasons for amending a subaward include providing additional funding, extending the period of performance, or modifying the reporting schedule. If an increase is being completed, it is necessary to verify that SPS has the correlating budget, Statement of Work and Budget Justification. Prior approval may be needed for changes such as the scope of work, change in PI, or transferring the subaward to a new institution. The SPS Account Manager will complete the [Subcontract Route Sheet](#), attach necessary documents then contracting. The amendment is completed by the SPS Account Manager, initialed, and routed to contracting for review and signature along with the Subcontract Route Sheet.

Note: Industrial and Foundation amendments are completed by the SPS Contract Analyst.

### **Subaward Termination**

If a PI decides that the subaward will not be renewed, SPS staff will contact the subrecipient to ensure the final invoice and appropriate final reports have been submitted. The final technical report should be collected by the PI. An amendment may be necessary to reduce the time and /or funding in order to end the project per the PI's recommendation. This must be fully executed and returned to SPS prior to reallocating any possible remaining funds from the subrecipient.

### **Subaward Invoice Review and Processing**

Subrecipients are expected to send their invoices to the appropriate Post-Award Account Manager who will review the document and route according to the subaward invoice review and processing procedures defined in the [Subrecipient Monitoring Procedures Manual](#).

### **Subrecipient Monitoring**

Subrecipient Monitoring can take on various forms and is outlined in the [Subrecipient Monitoring Procedures](#). The level of risk assigned to the Subrecipient determines the frequency and intensity of the monitoring recommended for the subaward, in addition to the prime sponsor terms and conditions.

- At least annually, SPS will collect updated information and documentation on Subrecipients' financial processes and controls, through either obtaining the A-133 or an annual financial statement when the Subrecipient is excluded from A-133 audit requirements. In addition, SPS will review the Excluded Parties List System to verify the Subrecipient and Principal Investigator (PI) have not been debarred or suspended from receiving federal funds (<https://www.sam.gov/portal/public/SAM/>).

### **Subaward Closeout**

An integral part of subcontract monitoring is close-out of the subcontract. This is the point at which final determination is made by the PI and SPS that the subcontractor has fulfilled all of its responsibilities under the subcontract. In general, a subcontract is closed when all deliverables have been met and the final payment has been made.

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### **Related Information**

#### Federal Awarding Agency Program Regulations

- OMB Circular A-133: Audits of States, Local Governments, and Non-Profit Organizations  
[http://www.whitehouse.gov/sites/default/files/omb/assets/a133/a133\\_revised\\_2007.pdf](http://www.whitehouse.gov/sites/default/files/omb/assets/a133/a133_revised_2007.pdf)
- OMB Circular A-133: Compliance Supplement (See Audit Requirements)  
[http://www.whitehouse.gov/omb/circulars/a133\\_compliance\\_supplement\\_2011](http://www.whitehouse.gov/omb/circulars/a133_compliance_supplement_2011)
- OMB Circular A-110: Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals and Other Non-Profit Organizations [http://www.whitehouse.gov/omb/circulars\\_a110/](http://www.whitehouse.gov/omb/circulars_a110/)
- 31 USC 7502(f) (2) (B) (Single Audit Act Amendments of 1996 (Pub. L. 104-156) <http://uscode.house.gov/download/pls/31C75.txt>