

# Subrecipient Monitoring Guidance

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## Overview

These guidelines describe the high level subrecipient monitoring guidelines including roles and responsibilities to be followed in activities when Purdue University is the Pass-Through Entity (PTE) for sponsored funding. The definitions, guidelines, roles, and responsibilities detailed in this document and linked documents cover subaward administration activities from proposal to closeout. Additional tools, materials, and procedural documentation recommended for use when conducting these guidelines are included in the links within the document. These guidelines have been developed in compliance with Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards ([2 CFR 200.331-.333](#) - Subrecipient Monitoring and Management).

## Definitions

**Award:** An award is a binding agreement between an external sponsor and Purdue University to support research, instruction, training, service, or other scholarly activities with set terms and conditions.

**Contractor:** ([2 CFR 200.321-324](#) and [2CFR 200.331](#) (b)) An entity that receives a contract. A contract means 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. The term as used in this part does not include a legal instrument, even if the non-Federal entity considers it a contract, when the substance of the transaction meets the definition of a Federal award or subaward.

Characteristics of a contractor:

- 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 program; and
- Is not subject to the compliance requirements of the program, though similar requirements may apply for other reasons

**Entity Profile:** A form used to capture institutional data related to subrecipients.

**Federal Demonstration Partnership (FDP):** The Federal Demonstration Partnership is a cooperative initiative among federal agencies and institutional recipients of federal funds. Its purpose is to reduce the administrative burdens associated with research grants and contracts. The FDP is a unique forum for individuals from universities and nonprofits to work collaboratively with federal agency officials to improve the national research enterprise. ( [Subaward Templates and Tools - The Federal Demonstration Partnership](#) )

**FDP Expanded Clearinghouse:** An initiative authorized by the Federal Demonstration Partnership to use on-line entity profiles in lieu of subrecipient commitment forms to obtain information needed by pass-through entities when they are issuing subawards or monitoring their subrecipient Entities. (<https://fdpclearinghouse.org/>)

**High Risk Subrecipient:** Those Subrecipients with an identified high risk criteria during the risk assessment are considered a high risk subrecipient. Those subrecipients deemed high risk will have their information forwarded to the **Post Award Subaward Officer** to determine appropriate subaward language to mitigate the potential identified risk.

**Low Risk for Pass-Through Entities and Subrecipients:** In accordance with [2 CFR 200.331](#) and further guidance, if Purdue confirms that a proposed subrecipient has a current Single Audit report submitted in the Federal Audit Clearinghouse, and has not otherwise been excluded (e.g. debarred or suspended) from receipt of Federal funding, then Purdue can rely on the Subrecipient's cognizant or oversight agency for audit to follow-up and issue management decisions. These Pass-Through Entities and Subrecipients are considered "Low Risk" and no additional subrecipient review by Purdue is expected when the above conditions exist unless there are programmatic terms and conditions that need to be handled as potential high risk or if a finding is related to funding received from Purdue which is reviewed as described in the Single Audit Procedures Manual.

**Pass-Through Entity:** ([2 CFR 200.74](#)) Pass-through entity means a non-Federal entity that provides a subaward to a subrecipient to carry out part of a Federal program.

**Risk Assessment:** A risk assessment is completed for each new subaward or amendment. The risk assessment determines the level of risk associated with each subrecipient and subsequently to Purdue University. A risk level is assigned to each subrecipient based on the criteria in the risk assessment.

**Risk Assessment Committee (RAC):** The Risk Assessment Committee shall consist of staff from Post-Award, Contracting, and Research Quality Assurance (RQA). The chair of the Committee will be the Director of Post Award. The RAC will review high risk subawards, they will utilize the risk assessment analysis and the sponsor award to determine appropriate subaward language to ensure appropriate management of sponsored funds along with the determination of other steps to monitor and mitigate the potential identified risk.

**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.

- Cost reimbursement
  - Appropriate for most sub-awards.
- Fixed Price
  - May be appropriate when awardees are meeting specific requirements of the Federal award and the amount is based on performance and results. Prior written approval from the agency is required. These subawards cannot exceed the simplified acquisition threshold of \$150,000.
- Milestone
- Cash Advance

The determination of subaward versus contractor is generally made at the proposal stage by SPS Pre-Award based on conversations with the PI and the scope of work in the proposal. Documentation of determination is provided through the indication of subrecipient or contractor in the submitted proposal. Relationships that may not be clear will be further documented through the use for the subrecipient versus contractor determination form.

**Subrecipient Commitment Form:** A form used by many institutions to capture data related to subrecipients. Data requested on these forms include entity profile information, project specific details, and often require signature from an authorized representative of the University.

**Subrecipient:** ([2 CFR 200.331](#)) A subaward is for the purpose of carrying out a portion of a Federal

award and creates a Federal assistance relationship with the subrecipient.

Characteristics which support the classification of the non-Federal entity as a subrecipient include when the non-Federal entity:

1. Determines who is eligible to receive what Federal assistance;
2. Has its performance measured in relation to whether objectives of a Federal program were met;
3. Has responsibility for programmatic decision making;
4. Is responsible for adherence to applicable Federal program requirements specified in the Federal award; and
5. 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.

**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).

**PERA Subrecipient Risk Analysis Information:** The Subrecipient Risk Analysis Information is stored in PERA. This includes information related to Subrecipients of outgoing subawards and to record submission of requested Purdue single audit information. PERA will contain information useful for the Subrecipient Risk Assessment. The type of information that will be available in the application for external recipients includes the following:

- Subrecipient Information (should be searchable using “contains”)
- Pre-Award Information (part of federal clearinghouse & if not, date of last entity profile)
- Status of single audit
- If not single audit, status of other audit or financial statement
- Recipient of direct Federal funds
- Prior unique contractual language or high risk mitigation solution

## Guidelines

**Determination of Need for Subaward:** The determination of the potential need for a subaward to a business/organization is normally made at the proposal stage but can occur throughout the life of a project. When selecting a potential subrecipient, the PI should be aware of the 'General Procurement Standards' section related to conflict of interest ([2 CFR 200.318](#)) of the Uniform Guidance which states the following:

*“(c)(1) The non-Federal entity must maintain written standards of conduct covering conflicts of interest and governing the actions of its employees engaged in the selection, award and administration of contracts. No employee, officer, or agent may participate in the selection, award, or administration of a contract supported by a Federal award if he or she has a real or apparent conflict of interest. Such a conflict of interest would arise when the employee, officer, or agent, any member of his or her immediate family, his or her partner, or an organization which employs or is about to employ any of the*

*parties indicated herein, has a financial or other interest in or a tangible personal benefit from a firm considered for a contract. The officers, employees, and agents of the non-Federal entity may neither solicit nor accept gratuities, favors, or anything of monetary value from contractors or parties to subcontracts. However, non-Federal entities may set standards for situations in which the financial interest is not substantial, or the gift is an unsolicited item of nominal value. The standards of conduct must provide for disciplinary actions to be applied for violations of such standards by officers, employees, or agents of the non-Federal entity."*

**Documentation of Subaward versus Contractor:** Documentation of determination is provided through the indication of [subrecipient or contractor](#) in the submitted proposal. This determination generally occurs based on conversations with the PI and the scope of work in the proposal. Relationships that may not be clear will be further documented through the use for the subrecipient versus contractor determination form.

**Subrecipient Documentation:** SPS Pre-Award will gather the following from each potential Subrecipient identified as part of the proposal development process:

- **Letter of Intent:** A letter of intent must be signed by the Subrecipient authorized representative and should include:
  - The Subrecipient Authorized Institutional Official signature and may include the sub PI signature
  - Intent to accomplish the work as outlined in the scope of work
  - Project title
  - Period of performance
  - Funds requested
  - Indication of use of human subjects or vertebrate animals
  - See Tools and Resources for a template of a letter of intent. If the subrecipient has their own letter of intent form, this is also acceptable.
- **Budget:** The budget should consist of Subrecipient total costs, which include direct and F&A costs, if applicable.
  - Direct Costs should be itemized by major cost categories, e.g., salary, fringe benefits, equipment, travel. Include sufficient justification and basis for each cost element such as established rates or vendor quotes.
  - Facilities & Administrative (Indirect) Costs must be based on a valid current F&A Rate Agreement with a Cognizant Federal Agency.
- **Use of De Minimis F&A Rate:**
  - Per [2 CFR 200.414\(f\)](#), any non-Federal entity that has never received a negotiated indirect cost rate, except for those non-Federal entities described in Appendix VII to Part 200—States and Local Government and Indian Tribe Indirect Cost Proposals, paragraph D.1.b, may elect to charge a de minimis rate of 15% of modified total direct costs (MTDC) which may be used indefinitely.

- **Statement of Work (SOW):** The SOW provides sufficient detail of the technical and programmatic work to be accomplished by the Subrecipient.
- **For Public Health Service (PHS) Subawards: *Financial Conflict Of Interest (FCOI) Certification*** - All subrecipients must comply with expanded FCOI policies. Each organization must certify that it has in place or will develop a Financial Conflict of Interest policy that complies with [42 CFR Part 50, Subpart F](#) and/or [45 CFR Part 94](#). If the subcontractor entity does not have and will not develop its own policy, it must agree to follow the Purdue University policy. Subrecipients must provide an “Entity Profile” (referenced [in Tools & Resources](#) section below) indicating whether or not they have a compliant FCOI policy. This form is not required if the Subrecipient organization is a member of the FDP Expanded Clearinghouse. Additionally, the FCOI portion of the “Entity Profile” is not required if the Subrecipient organization is listed on the FDP COI Clearinghouse website: [FDP Expanded Clearinghouse](#)

**Award Establishment:** Once Post Award receives an award that contains subawards, they should review all documentation to ensure the correct indirect cost rate and fringe benefit rate has been used, the budget is reasonable and only allowable costs have been included, and a statement of work has been drafted (SOW). Post Award should complete the [Subrecipient Risk Analysis](#) and if there are identified high risk criteria, refer to Post Award Subaward Officer for review prior to establishment.

**Subaward Agreement:** Once it is determined that a subaward agreement is appropriate and Post-Award has completed the necessary steps, the subaward agreement will be assigned to the Post Award Subaward Officer, who will initiate the issuance of the subaward agreement. The Subaward Officer will prepare the appropriate subaward agreement, ensuring all terms and conditions for compliance, payment, closing, regulatory and assessed risks are addressed. The Subaward Officer is responsible for negotiation and finalization of the subaward.

**Amendments to Subawards:** If the Principal Investigator (PI) determines an amendment is required, Post Award will prepare the subaward amendment following the instructions in the [Subrecipient Process Guide](#) and upload any necessary documents needed for the amendment in PERA. Common reasons for amendments are to provide additional funding, to extend the project period or to modify the reporting schedule. The Post Award Subaward Administrator will be responsible for finalization of the subaward amendment. Completion of the Subrecipient Risk Analysis must be completed for each amendment.

**FFATA:** As of October 1, 2015, all Federal grants of \$30,000 and over are subject to the [Federal Funding Accountability and Transparency Act](#) (FFATA) subaward reporting requirements. Prime awardees are required to enter the subrecipient information in the FFATA Sub-Award Reporting System - FSRS (<https://www.fsrs.gov/>). Subrecipients must maintain an active registration in the System for Award Management ( <https://www.sam.gov/SAM/> ) to receive Federal funding. If a subaward is requested after a prime contract is executed and no FFATA information has been obtained by Pre-Award, the Post Award Subaward Officer will obtain this information when a subaward is presented (if required). The subaward will not be fully executed until the FFATA information is obtained.

The FFATA report must be submitted by the end of the month following the month of the full execution of the subaward amendment. It is the duty of the SPS Post Award staff member to enter, submit and update the required FFATA information in the FSRS website. More details on FFATA reporting can be found at [https://www.purdue.edu/business/spa/pdf/FFATA\\_Handbook.pdf](https://www.purdue.edu/business/spa/pdf/FFATA_Handbook.pdf).

**Foreign Subrecipients:** Entering into agreements with foreign subrecipients is often required for a PI to successfully complete his or her project objectives. A foreign subrecipient should not be considered high risk automatically; however, they should be considered high risk if any of the following conditions are present:

- The entity is not subject to a Single Audit per [2 CFR 200.501](#);
- The entity requires cash advances to undertake activities;
- The entity does not have prior experience with managing sponsored programs (especially if a federal award);
- The entity is located (or work is located) in an area classified as under a Travel Warning or Travel Alert by the United States Department of State (<https://travel.state.gov/content/passports/en/alertswarnings.html>);
- The entity is located (or work is located) in an area currently under sanction by the United States Department of the Treasury (<https://www.treasury.gov/resource-center/sanctions/Programs/Pages/Programs.aspx>); or,
- The amount the entity is receiving is disproportionate with their historical financial activities.
- Purdue login to Visual Compliance for restricted party screening (<https://www.purdue.edu/apps/idphs/profile/SAML2/Unsolicited/SSO?providerId=https://sso.ecustoms.com/auth&target=https%3A%2F%2Fsso.ecustoms.com%2Fauth%2FSAML%2FAssertionConsumerService.aspx%3FApplication%3DVC>)
- Disbursements will be handled in cash or otherwise require special handling.

The presence of these conditions should not be seen as an automatic disqualification for engaging with a foreign entity; however, additional risk monitoring steps may be necessary to ensure the foreign subrecipient remains compliant with all rules and regulations guiding the subaward. When in doubt, Post Award should refer the entity to Post Award Subaward Officer so an appropriate risk monitoring plan can be drafted.

**High Risk Subrecipients:** Per [2 CFR 200.332 \(d\)](#) (Requirements for pass-through entities) If appropriate, consider implementing specific conditions in a subaward as described in [§ 200.208](#) and notify the Federal agency of the specific conditions.

**Invoice Processing:** Subrecipients are expected to send their invoices to SPS consistent with the terms of the agreement. Upon receipt of an invoice, it will be uploaded to SAP to capture the date they were received by SPS. SPS is responsible for reviewing each invoice to ensure:

1. If there is a concern, contact the Subrecipient for clarification, additional documentation or request a revised invoice if needed. Retain documentation of any delays caused by the need to obtain additional information.
2. If there is sufficient information to recommend reimbursement, Post Award Subaward Administrator will enter the transaction in the subrecipient calculator and initiate the ZV60. Note if this requires a wire payment the Post Award Funding Administrator will also process the wire request through DocuSign.
3. The ZV60 will route through the Fiori workflow to the Senior Manager, Post Award for review and approval.
4. The workflow then routes to the PI for approval (technical review to ensure that the work has been completed, reports have been submitted and verify the allowability, allocability and reasonableness of the expenses related to his/her project), and the subaward performance goals during the invoice period have been achieved.

5. Once approved the ZV60 will route through accounting for additional reviews and posting.
6. Once posted a check is cut and sent to the subrecipient for reimbursement.

Federal guidelines as outlined in [2 CFR200.305 \(b\) \(3\)](#), require Purdue University to make payment to subrecipients within 30 calendar days after receipt of the billing unless the payment or reimbursement is questioned

**Risk Monitoring:** Purdue University has established a Subrecipient Risk Analysis for evaluating the risk associated with the potential Subrecipient. The analysis is completed to evaluate the Subrecipient's internal controls and business practices to perform the work proposed and their ability to compliantly manage sponsored funds. Post Award Subaward Officer will utilize the risk assessment and sponsor award to determine appropriate subaward language to ensure appropriate management of sponsored funds.

**Regulated Research:** In general, the Subrecipient is responsible for compliance with all terms of the prime award. Terms, conditions, or clauses associated with US regulations for research using human subjects, animal subjects, recombinant/synthetic nucleic acids are mandatory for acceptance of a subaward. The use of these regulated research areas must be identified by the Subrecipient at the time the proposal is submitted. Through the [Purdue Office of Research](#), a review of the Subrecipient's associated Statement of Work (SOW) may also identify regulated research. If regulated research is anticipated as part of the Subrecipient's proposed activity, appropriate approval information (e.g. [Institutional Review Board \(IRB\)](#) approval or other committee approval), may be requested prior to contract execution to ensure proper oversight.

Subrecipients may be considered high risk if the institution does not possess a Federal Wide Assurance (FWA), Animal Wide Assurance (AWA), or follow *NIH Guidelines for Research Involving Recombinant or Synthetic Nucleic Acid Molecules (NIH Guidelines)*. Subrecipients are expected to report instances of non-compliance in line with the prime award.

**Annual Subrecipient Monitoring:** After the exit conference for the annual audit, the Subrecipient and Pass-through entities are identified. Subrecipient entities are reviewed and a certification is requested from all subrecipients who have not filed a profile with FDP or who have not submitted a report to the Federal Clearinghouse.

**Termination of Subawards:** If a PI decides that the subaward agreement will not be renewed or will be terminated, the PI will notify Post-Award Subaward Team or his/her respective business office of this determination. The matter should be referred to a Post Award Subaward Officer to review the terms and conditions set forth regarding the termination of the subaward agreement. Typically, there is a termination clause which provides guidance in how to properly terminate a subaward agreement. It will be at the Post Award Subaward Officer's discretion whether to refer the termination to the Office of General Counsel or proceed with the termination.

An amendment may be completed to shorten the project period or reduce the project funding for the subaward agreement. The Post Award Subaward Funding Administrator assigned should make the determination if an amendment needs to be complete and should initiate the proper steps for the issuance of an amendment of the subaward agreement.

**Subaward Closeout:** An integral part of subrecipient monitoring is closeout of the subaward at the end of the project period. At this point, final determination is made by the PI and SPS Post Award Staff that the subcontractor has fulfilled all of its responsibilities under the agreement. A subcontract is generally considered closed when all deliverables have been met and the final payment has been made.



Appendices: Tools and Resources; Risk Analysis; Single Audit Procedures

<https://www.purdue.edu/business/sps/RQA/Subrecipient.html>