



# University Policy: Subrecipient Monitoring

**Policy Category:** Grants and Contracts Policies

**Subject:** Subrecipient Monitoring

**Office Responsible for Review of this Policy:** Vice Provost for Research and Dean of Graduate Studies

**Procedures:** [Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards](#) (2 CFR 200)

**Related University Policies:** [Proposal Submission Policy](#), [Procurement and Contracts Policies](#), [Procedures & Guidelines](#), [Principal Investigator's Handbook](#)

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## I. SCOPE

This policy specifies the University's responsibilities for monitoring the programmatic and financial activities of its subcontractors / subawardees ("subrecipients") to ensure satisfactory performance and proper stewardship of sponsor funds.

## II. POLICY STATEMENT

This policy addresses institutional responsibilities for monitoring the programmatic and financial activities of its subrecipients to ensure proper stewardship of sponsor funds. The following policy applies to all subawards issued under sponsored programs made to American University (AU or the University), without regard to the primary source of funding. It is designed to assist Principal Investigators (PIs) and project / program administrators to ensure that, in addition to achieving performance goals, subrecipients comply with applicable federal laws and regulations and with the provisions of any sponsored award that governs the subcontract/subaward agreement.

## III. DEFINITIONS

**Contractor (Vendor)** – An organization or individual that provides goods or services within normal business operations. Contractors (vendors) may provide similar goods and services to many different purchasers, operate in a competitive environment, and provide goods or services that are ancillary to the operation of the sponsored project.

**Pass-through entity** – The Non-federal entity that provides a subaward to a subrecipient to carry out the program; sometimes referred to as the "prime" or "lead" organization.

**Prime Recipient** – The direct recipient of a sponsored award to support sponsored research, projects, or programs.

**Principal Investigator (PI)** – A member of the University faculty/staff who is responsible for the overall design, conduct, reporting and management of an externally sponsored project. The PI is the person who is most familiar with the subawardee's performance through e-mail, telephone conversations, technical meetings, progress reports, or site visits.

**Sponsored Award** – A funding instrument with terms and conditions in which the University agrees to provide a return benefit to, or agrees to provide a defined deliverable(s) for a sponsor in exchange for funds. The funding instrument may be a grant, contract, cooperative agreement, or similar document.

**Subaward (subcontract, subgrant)** – Enforceable agreement, issued under a prime sponsored project, between a pass-through entity and a subrecipient for the performance of a substantive portion of the program. It is a written agreement with a third party for the acquisition of services or goods, or for the conduct of prescribed activities or functions under the prime award where the subrecipient has responsibility for programmatic decision making and measurable performance requirements related directly to the prime award. These terms do NOT apply to the procurement of goods or services from a contractor (vendor).

**Subrecipient (subcontractor / subawardee)** – A non-American University organization that receives subawards from American University to carry out programmatic effort under an AU sponsored project. A subrecipient's performance is measured against whether the objectives of the sponsored program are met.

**Uniform Guidance (2 CFR Part 200, et al)**– Office of Management Budget (OMB) publication entitled “Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards”.

#### **IV. POLICY**

The University is required by Uniform Guidance, specifically §200.328, to evaluate each subrecipient's risk of noncompliance. This evaluation consists of monitoring the activities of subrecipient organizations to ensure the subaward is in compliance with applicable Federal statutes and regulations and terms of the subaward, and verifying that subrecipients are audited as required by Subpart F of the Uniform Guidance. For non-federal awards, AU may also be required by the sponsor to provide evidence of due diligence in reviewing the ability of a subrecipient to properly meet the objectives of the subaward and account for the sponsor's funds.

Consistent with federal, state, and local regulations, and to ensure proper stewardship of sponsored projects, the University must undertake certain activities to monitor Subrecipients, including but not limited to Subrecipient pre-qualification, reporting, site visits, regular contact, and other means to provide reasonable assurance that Subrecipients administer and perform Subawards in compliance with applicable law, regulations, and the provisions of the University's sponsored projects. Additionally, The University assesses, among other factors, the Subrecipient organization's financial status and internal controls based on documentation from the Subrecipient and other independent sources, in order to determine whether to proceed with the Subrecipient. Based on that assessment, terms and conditions are established in the Subaward agreement to be consistent with the level of perceived risk and then the University identifies specific monitoring activities.

Failure to adequately monitor the compliance of subrecipients could result in reputational damage to the University and its Units, and jeopardize current and future funding. It is the responsibility of American University, as the prime recipient, to ensure the good stewardship of sponsored funding and ensure that all funds assigned to subrecipient organizations receive the same diligence as sponsored funds that remain at American University.

#### **V. ADMINISTRATION AND MONITORING PROCEDURES**

##### **Distinction Between a Subrecipient and a Contractor.**

OMB Uniform Guidance also makes a distinction between a subrecipient (substantive work) and a contractor:

- A subrecipient is defined as “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.”
- A contractor is defined as "an entity that receives a contract," which is defined as “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“

AU, as the pass-through entity, must make a case-by-case determination regarding each agreement it makes for the disbursement of Federal funds casting the party receiving the funds in the role of a subrecipient or a contractor. Please refer to AU's [Subcontractor vs. Consultants](#) guide for determinations and characteristics which support the classification of the non-Federal entity as a subrecipient in accordance with OMB Uniform Guidance §200.330.

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

While an external entity may be classified as a contractor, it is still subject to compliance rules and regulations, including those that govern the usage of human or animal subjects and select agents. For more information on AU relationships with contractors, please refer to AU's [Procurement and Contracts Policies, Procedures & Guidelines](#).

### **Pre-Award Processing**

During the proposal process, OSP Pre-Award will be responsible for:

- Making project role determinations on whether the applicant is a subrecipient or contractor. If a contractor role is assigned, subrecipient information will not be required.
- Obtaining all subrecipient(s) contact information (PI and administrative contact).
- Ensuring the Subrecipient is not debarred.
- Providing a Prequalifying Questionnaire to all potential subrecipients and requesting that the questionnaire be returned at least 2 business days prior to the published proposal deadline if reasonable.
- Reviewing the budget to ensure an approved federally recognized indirect cost rate or a de minimus indirect cost rate is used as outlined in OMB Uniform Guidance §200.331 and §200.414.

### **Post-Award Processing**

After the awarding agency has approved the selection of a subrecipient, whether by issuing an award that contains provisions for a subrecipient or by approving the selection of a subrecipient the Post Award administrators will:

- Verify that the Prequalifying Questionnaire has been completed with all required information. Request any missing information from the subrecipient.
- Analyze potential risks in subcontracting with the subrecipient by using the Prequalifying Questionnaire to determine a subrecipient's risk rating.
- Determine what language is included in the subrecipient agreement based on the risk classification assigned to the subrecipient.
- Maintain the risk rating determination and the decision of subrecipient vs. contractor.
- Initiate the issuance of a subaward based on the Subrecipient entity, the terms and conditions of the Prime Award, and the Prequalifying Questionnaire.
- Provide the Subrecipient with required information as outlined in OMB Uniform Guidance §200.331.
- Outline special monitoring procedures or requirements for subrecipient compliance.

- Send a PDF of the document to the Subrecipient for signature by an authorized institutional official and request the subrecipients to return the signed subaward or a partially-executed PDF of the document.
- After the subaward has been fully executed, forward a fully-executed subaward to the subrecipient and a copy to the appropriate PI, Department, and Unit personnel.

Fixed Amount subawards 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. Post Award will notate if this is the funding mechanism.

### **Amendment Processing**

When an amendment to a subaward is needed, Post Award will:

- Review the subaward modification request. Common reasons for amending a subaward include providing additional funding, extending the period of performance, or modifying the reporting schedule. If an increase to the subaward is being requested, it is necessary to verify that the correlating budget is available, and that the Statement of Work and Budget Justification support the need for an increase.
- Request prior approval from the funding agency if needed (e.g., change in scope, change in PI, or transferring the subaward to a new institution).
- Prepare and submit the subcontract amendment to the subrecipient.
- After the amendment has been fully executed, forward a fully-executed subaward modification to the subrecipient and a copy to the appropriate PI, Department, and Unit personnel.

### **Evaluating Subrecipient Risk Levels**

The Office of Sponsored Programs (OSP) and Grants and Contracts Accounting (GCA) at AU will use each subrecipient's Prequalifying Questionnaire along with their prior experience working with the same or similar subawards, and the results of previous audits to determine which risk level to assign to each subrecipient. Subrecipients assigned a risk level of medium or above will be notified of the decision and the reasons for the decision in writing.

### **Monitoring Process**

Individual monitoring plans for each subrecipient will be based on the risk rating assigned to each subrecipient during the risk evaluation process.

### **Subaward Termination**

If it is decided that the subaward will not be renewed or will be terminated, AU will:

- Ensure that the final invoice and appropriate final reports (including technical reports) have been received from the subrecipient on time.
- Amend the subagreement to reduce the time and /or funding of the subrecipient in order to end the project (if necessary). This amendment must be fully executed prior to reallocating any possible remaining funds from the subrecipient.

### **Foreign Subrecipients**

Even though Single Audits do not apply to foreign subrecipients, foreign subrecipients will still be required to complete a Prequalifying Questionnaire and provide documentation and certification that applicable compliance requirements are in place sufficient to comply with federal regulations.

### **Advance Payment of Funds to Subrecipients**

In general, it is the University's policy to deny advance payments to Subcontractors, due to the liability it creates for the University. However, in exceptional circumstances, it may be necessary to advance funds to subcontractors in developing countries if not doing so would jeopardize the performance of the project. The agreement between the University and the subcontractor must include specific language in the payment section stating the terms for advance payments and will be discussed at the outset of subcontract negotiations.

Please refer to AU's Guidelines on Advance Payments to Domestic and Foreign Subcontracts for processing directions and approval requirements.

## **VI. ROLES AND RESPONSIBILITIES**

### **Principal Investigators (PI's)**

- Confirm the statement of work and review any non-standard terms and conditions of the subaward during the subaward agreement negotiation process.
- Monitor programmatic progress and the ability of the subrecipient to meet objectives of the subaward.
- Verify that the performance goals set forth in the Subaward scope of work are being met in a timely manner.
- Monitor costs and activities of Subrecipients to confirm that expenditures charged to Subaward agreements are consistent with the budget and scope of work of the Subawards, and ensure that the subaward is used for authorized purposes, in compliance with Federal statutes, regulations, and terms and conditions of the subaward. This includes:
  - Reviewing financial and programmatic reports required to be submitted to AU on no less than a quarterly basis.
  - Following-up and ensuring that the subrecipients take timely and appropriate action on all deficiencies detected during on-site reviews.
- Review the invoice to determine that the amount being requested for payment is consistent with the accomplishments of the subawardee during the billing period.
  - If there are problems with the invoice, such as equipment purchased without any required prior approval, do not approve the invoice for payment. Rather, PI should consult with your department administrator and the Office of Sponsored Projects to resolve these issues.
  - Final invoices are only to be approved and signed off for payment when the subawardee 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.
- Monitor each subaward throughout the period of performance and escalate concerns to OSP and GCA for further action.
- Provide subrecipients with training and technical assistance on program-related matters (if needed).
- Perform on-site reviews of the subrecipients' program operations (based on the assigned risk level).
- Provide documentation of department level monitoring efforts (based on subrecipient risk levels).
- Request the final invoice and the appropriate final financial / technical reports.

### **Departmental (college/school grant or finance) Administrators**

- Work with PIs to resolve issues on subawards as they arise.
- Ensure invoices received from subrecipients provide a reasonable assurance of the work performed.
- Identify and follow-up on questionable expenditures
- Process subrecipient invoices for payment.
- When notified, stop processing invoices for subrecipients with elevated risk assessments due to noncompliance.
- Maintain subrecipient invoicing documentation.
- Ensure the final invoice and appropriate final reports (including technical reports) have been received from the subrecipient.

### **Office for Sponsored Programs (OSP)**

- Maintain the decision of subrecipient vs. contractor.
- Prepare, negotiate, and/or revise Subrecipient awarding agreements and amendments.
- Ensure that every subaward is clearly identified to the subrecipient as a subaward and includes the necessary information.

- Advise Subrecipients of federal, state or local requirements, terms and conditions of the prime award, and University requirements that apply to the Subaward.
- Ensure subrecipient budgets are itemized by major cost categories e.g., salary, fringe benefits, equipment, travel, etc. and include sufficient justification and basis for each cost element such as established rates or vendor quotes.
- Request Subrecipient Prequalifying Questionnaire and assess potential subrecipient organizations for programmatic suitability for determining a programmatic subrecipient risk rating.
- Issue a management decision letter pertaining to the Federal award provided to the subrecipient on behalf of AU as required by OMB Uniform Guidance § 200.521 Management decision.
- Maintain subrecipient awarding information and the risk rating determination.
- Process subaward amendments as necessary.
- Incorporate additional terms into subawards based on information from the PI, department/local unit, and the risk assessment of the subrecipient organization.
- Inform schools, departments, and PIs when issues are identified with a subrecipient organization with whom they have an active subaward.
- Consider taking enforcement action against noncompliant subrecipients.

#### **Grants and Contracts Accounting (GCA)**

- 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 financial management risk rating and subsequent subrecipient monitoring activities.
- Verify that Subrecipients are audited as required by Federal Guidance.
- Consider whether the results of the Subrecipient's audits, on-site reviews, or other monitoring activities necessitate adjustment of the University's records, such as budget modifications or reallocation of resources, repayment from the Subrecipient, or other measures.
- Render a management decision for financial management pertaining to the Federal award and work with OSP to set the appropriate risk level.
- Inform OSP when issues relating to financial management are identified with a subrecipient organization with whom AU has an active subaward.

**VII. EFFECTIVE DATE(S)**

This Policy was effective **April 1, 2016**.

**VIII. SIGNATURE, TITLE AND DATE OF APPROVAL**

This policy needs to be signed by the appropriate officer (listed below) before it is considered approved.

Approved: **Scott Bass , April 13, 2016**

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