

Middle Tennessee State University

OFFICE OF RESEARCH SERVICES

ORS Procedure 006: Subawards and Subrecipient Monitoring

Date Approved:

Table of Contents

- I. Scope**
- II. Procedure Statement**
- III. Definitions**
- IV. Responsibilities**
- V. Pre-Award Subrecipient Review and Negotiating Subawards**
- VI. Post-Award Subrecipient Monitoring**
- VII. Annual Subrecipient Monitoring and Record Retention**

I. SCOPE

As a recipient of federally sponsored awards, Middle Tennessee State University (MTSU) must comply with the guidelines outlined in OMB Circulars A-21, A-110, and A-133. This procedure applies to all subawards issued under sponsored projects awarded to MTSU without regard to the primary source of funding.

As a recipient of federal funding, MTSU assumes the responsibility of providing proper oversight of subrecipients to meet monitoring requirements. These requirements include ensuring subrecipients are not debarred or suspended and are eligible to receive federal funds; the subrecipient has appropriate financial systems to managing sponsored funding; and the subrecipient does not have outstanding audit issues that will negatively impact the overall project.

II. PROCEDURE STATEMENT

MTSU is responsible for financial and programmatic monitoring of sponsored project funds awarded to MTSU that are subcontracted to another institution or organization (subrecipient). To provide the monitoring required by federal regulations and to ensure good stewardship of sponsored projects, MTSU will use reporting, site visits, regular contact or other means to provide reasonable assurance that the subrecipient administers awards in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved.

This procedure applies to all subawards issued under all sponsored projects awarded to MTSU. The following are the objectives of the procedure:

- To advise and provide to subrecipients copies of federal laws or regulations, terms and conditions of the prime award or agreement, and MTSU requirements that apply to the subaward.
- To provide subrecipients with information regarding the prime award including Catalog of Federal Domestic Assistance number (CFDA), title, name and number, award dates, and funding agency, as required by OMB Circular A-133.
- To monitor costs and activities of subrecipients to ensure expenditures charged to MTSU are consistent with the budget and scope of work of the subaward.
- To ensure that the performance goals set forth in the scope of work are being met in a timely manner.
- To conduct an annual risk assessment of all active subawards to determine which subrecipients require closer scrutiny.
- To ensure that subrecipients expending \$500,000 or more in federal awards during the subrecipient's fiscal year have met the OMB Circular A-133 audit requirements for that fiscal year.
- To issue management decisions on audit findings within six months after receipt of the subrecipient's audit report and to ensure that the subrecipient takes appropriate and timely corrective action.
- To consider whether subrecipient audit findings necessitate adjustment of MTSU's records, such as budget modifications or reallocation of resources, a demand for repayment from the subrecipient, or other remedial measures.
- To require each subrecipient to permit the sponsor and/or MTSU and its auditors to have access to the subrecipient's pertinent records and financial statements, as necessary.

III. DEFINITIONS

Award

An award is financial assistance in the form of a grant or contract with a defined scope of work that provides support or stimulation to accomplish a public purpose.

Pass-Through Entity

A pass-through entity is a non-federal entity that provides an award of federal funds to a subrecipient to carry out the programmatic activities of a sponsored project.

Subaward

A subaward is an award of financial assistance from a prime awardee to a qualified organization, for the performance of a substantive portion of the programmatic effort under a sponsored project.

Subrecipient

A subrecipient is a legal entity to which a subaward is made and which is accountable to the recipient for the use of the funds provided to carry out a portion of the programmatic effort under a sponsored project. It may include institutions of higher education, for-profit corporations and foreign or international organizations.

Subrecipient Monitoring (Pre-Award, Post Award)

Subrecipient monitoring includes the oversight activities performed by a prime recipient that provide reasonable assurance that subawards made are being administered in compliance with applicable laws, regulations, and the provisions of the grant or contract agreement.

Vendor Agreement

Vendor agreements cover services purchased that do not provide a substantive portion of the programmatic effort of the sponsored project. Generally the vendor provides the services commercially, operates in a competitive environment, and retains no rights to intellectual property.

IV. RESPONSIBILITIES

Principal Investigator (PI)

The PI has responsibility for monitoring subrecipients, particularly the subrecipient's technical and programmatic activities. These activities should be performed in a timely manner throughout the duration of the subaward and be consistent with the proposed statement of work. The PI should review technical reports and maintain regular contact with the subrecipient. If necessary, the PI should perform site visits to review financial and programmatic records to ensure appropriate progress and compliance with subaward terms and conditions.

The PI is also responsible for reviewing and approving all invoices submitted by the subrecipient. The subrecipient shall be required to certify its invoices for accuracy and the PI should verify that invoice amounts are consistent with technical progress and that costs are allowable according to federal, state, university and sponsor requirements.

Fiscal Services

Fiscal Services (Manager of Grants and Contracts) is consulted in discussions regarding development of risk mitigation plans for high risk subrecipients.

Office of Research Services (ORS)

ORS is responsible for establishing a process for subrecipient monitoring that ensures compliance with federal, sponsor, and university guidelines and regulations. ORS staff reviews proposal submissions to assure subaward arrangements are appropriately budgeted in the prime award budget and the appropriate representations, certifications, and assurances are in place.

ORS maintains a record of all active subrecipients and performs an annual risk assessment. ORS also issues and collects an annual A-133 audit certification letter or financial questionnaire for non-A-133 subrecipients.

ORS is available to assist PIs in the interpretation of subrecipient monitoring policies and procedures. ORS will also take the lead in developing strategies for resolving issues related to questionable costs or audit issues from subrecipients.

Purchasing and Account Payable (AP)

The Contracts Office and Procurement Services are responsible for consultant and vendor agreements for purchase of services that do not fall under the subrecipient monitoring procedure. Subrecipients are directed to submit invoices to the PI, who is responsible for initiating the subrecipient routing process to Accounts Payable. After PI approval, AP will post the payment against the account and issue payment to the subrecipient.

V. PRE-AWARD SUBRECIPIENT REVIEW AND NEGOTIATING SUBAWARDS

Before executing subawards, the Office of Research Services (ORS) will perform a review of all potential subrecipients and perform a risk assessment. This process will take into account the following factors:

- Whether or not the subrecipient is debarred or suspended from receiving federal funding by reviewing the excluded parties list system at <http://epls.arnet.gov>
- If the subrecipient is subject to an A-133 audit – review the Federal Audit Clearinghouse at <http://harvester.census.gov/sac/> to determine if the audit report is up to date
- Size of the subrecipient
- Amount of the subrecipient award
- Award size relative to the subrecipient's sponsored activity
- Percentage of award passed through to subrecipient
- Prior experience with the subrecipient
- Subrecipient location or for-profit status which may require closer oversight
- Award complexity or access to sensitive or classified data

If there is a high level of risk associated with the subrecipient, ORS, in consultation with the Contract Manager, will ensure the appropriate risk mitigation steps are taken and the necessary language is included in the subaward.

To be included in a proposal submission, a subrecipient must provide:

- Statement of work
- Budget
- All required representations and certifications
- Letter of commitment from an authorized official at the subrecipient organization

The subrecipient should budget Facilities and Administrative (F&A) costs according to the organization's approved negotiated rate. MTSU can only charge F&A on the first \$25,000 of each subaward during the life of the prime award.

All Subaward Agreements should include the following:

- Details about the prime funding source, including for federal awards: Catalog of Federal Domestic Assistance (CFDA), title and number, award name, award number and prime sponsor name
- All applicable provisions from the prime award
- Terms that address the risk mitigation strategies identified during the review process

- Requirements that subrecipients subject to A-133 comply with those requirements and disclose any findings and corrective action plans related to their MTSU subaward
- Financial and reporting terms and conditions including a requirement for the subrecipient's fiscal agent to certify invoices
- Requirement for access to all financial and technical records, as needed

ORS will work closely with the Principal Investigator (PI) during the subaward negotiating process to ensure reporting requirements and applicable terms are acceptable to the funding agency.

VI. POST-AWARD SUBRECIPIENT MONITORING

The PI is responsible for tracking and monitoring technical progress of the subrecipient to ensure the efforts outlined in the subaward's scope of work are being met and reimbursements are made in relation to technical progress. Technical reports can be requested as needed by the PI and should supplement informal communications. If there are specific deliverables or reporting requirements, the PI and ORS staff should include these in the subaward. The PI is responsible for verifying all the subrecipient's certified invoices and should not approve invoices if the appropriate progress has not been made.

All subrecipient invoices should include:

- Project Name
- MTSU Contract Number
- Approved Budget
- Current Period Expenditures
- Total Expenditures to Date
- Remaining Balance
- Fiscal Agent Certification

Both the PI and ORS perform a review of all subrecipient invoices prior to approval and payment. The process for invoice submission and approval is described below:

1. Funds for subawards are assigned to a Banner account code.
2. Subrecipient invoices are submitted in the approved format and directed to the PI.
3. The PI reviews the invoice to verify expenses were incurred during the period of performance of the subaward, there is an available balance to cover the invoice amount, and the correct accounting code is being used on the invoice.
4. Once reviewed the PI will forward the invoice with a payment authorization to Accounts Payable for payment.

VII. ANNUAL SUBRECIPIENT MONITORING AND RECORD RETENTION

ORS will perform an annual review of active subawards to identify high risk subrecipients, to ensure appropriate progress is being made, and to ensure risk mitigation strategies are working effectively. In cases where there appears to be potential risk, ORS will coordinate efforts with

the PI to address concerns. If necessary, the Contract Manager will be consulted to redefine the risk mitigation strategy.

ORS will send an annual certification letter to all subrecipients receiving federal funding during the prior fiscal year.

Associated Federal Regulations:

OMB Circular A-21, *Cost Principles for Educational Institutions*

OMB Circular A-110, *Uniform Administrative Requirements for Grants and Agreements with Higher Education, Hospitals and other Non-Profit Organizations*

OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*

OMB Circular A-133, *Compliance Supplement*

31 USC 7502(f)(2)(B)(Single Audit Act Amendments of 1996)Pub. L. 104-156)

U.S. Export Regulations: ITAR – 2 CFR 120, EAR – 15 CFR 730, and OFACE – 31 CFR 501