

SUBRECIPIENT MONITORING

The University of Chicago

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JANUARY 2012

SESSION OUTLINE

- Overview of Award Cycle & Subrecipients
- Subrecipient Monitoring in Practice
 - Federal Regulations
 - UC Actions
- Subaward Risk Assessment
 - High-Risk Subawards
- Accounting and Tracking
- Issues Observed
- Lessons Learned
- Resources

THE LIFE CYCLE OF A SUBAWARD

Begin with the end in mind...



...and monitor throughout the life of the subaward

Increased focus on monitoring

DEFINITIONS

- **Prime Award** - The grant/contract from the Sponsor (funds the subaward)
- **Prime Recipient** - The party that receives the award from the Sponsor
- **Subaward** - A legally binding agreement between two parties that provides funding to another organization to conduct a portion of the project work
- **Subrecipient/Subawardee** - The party providing work under the subaward when the Prime Award is a grant or cooperative agreement
- **Subcontractor** - Term used for subrecipient when the prime is a contract. However, this term is often used interchangeably with subrecipient.
- **Flow-down or Flow-through** - Applying the terms and conditions in the Prime Award to the subaward
- **Modification/Amendment** - Mechanism used to modify any aspect of an existing subaward agreement. Used interchangeably with Amendment.

DEFINITIONS

Specifically, a subrecipient:

- Performs some of the project's technical objectives
- Responsible for programmatic decision-making
- Subject to the Federal compliance regulations (e.g. human subjects, animal use, etc.)
- Owns IP developed under the subaward agreement
- Authorship on project research

MONITORING IN PRACTICE

OMB Circular A-110

- “Uniform Administrative Requirements for Grants and Agreements With Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations”
- Prime recipients are responsible for managing and monitoring each subaward supported by the award
- Prime recipients shall monitor subawards to ensure subrecipients have met the audit requirements
- Subawards include the “flow-through” of standard terms including, but not limited to:
 - Revision of budget and program
 - Management and distribution of property
 - Procurement standards and procedures
 - Reports and record keeping

OMB Circular A-133

- “Audits of States, Local Governments, and Non-Profit Organizations “
- Prime recipient to monitor Subrecipients’ compliance with federal regulations
- Prime recipient to ensure that performance goals are achieved
- Subrecipient to comply with Federal Single Audit and Prime recipient to monitor audit results and any corrective actions
- Subrecipient to permit the Prime recipient and auditors to have access to the records and financial statements as necessary

MONITORING IN PRACTICE

OMB Circular A-133_section 400(d)	UC Actions
Identify Federal awards made by informing each subrecipient of CFDA title and number, award name and number, award year, etc.	URA includes in subaward and requires that subrecipients includes identifying information on invoices submitted for payment

MONITORING IN PRACTICE

OMB Circular A-133_section 400(d)	UC Actions
<p>Advise subrecipients of requirements imposed on them by Federal laws, regulations, and the provisions of contracts or grant agreements as well as any supplemental requirements imposed by the pass-through entity</p>	<p>URA includes applicable terms in subaward</p> <p>URA and/or SAA suggests other terms based on risk assessment</p> <p>PI concurs with subaward terms</p>

MONITORING IN PRACTICE

OMB Circular A-133_section 400(d)	UC Actions
<p>Monitor the activities of subrecipients as necessary to ensure that Federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved</p>	<p>URA includes audit requirements in the subaward</p> <p>URA and/or SAA suggests other terms based on risk assessment</p> <p>PI concurs with subaward terms</p> <p>Dept. Administrator reviews subrecipient invoices for allowability and prepares required forms</p> <p>PI certifies that expenses on invoice are consistent with the work completed</p> <p>SAA reviews the payment request and required forms for completeness</p>

MONITORING IN PRACTICE

OMB Circular A-133_section 400(d)	UC Actions
Ensure that subrecipients have met the audit requirements	<p>URA includes audit language in the subaward terms</p> <p>SAA tracks subrecipients' audit requirements and obtains audit reports</p> <p>SAA reviews audit reports for internal control findings or questioned costs specific to the UC award</p>

MONITORING IN PRACTICE

OMB Circular A-133_section 400(d)	UC Actions
<p>Issue a management decision on audit findings within six months after receipt of the subrecipient's audit report and ensure that the subrecipient takes appropriate and timely corrective action</p> <p>Consider whether subrecipient audits necessitate adjustment of the pass-through entity's own records</p>	<p>SAA to monitor and make URA, PI and Dept. Administrator aware of status</p> <p>URA will make appropriate modifications to subawards as needed</p> <p>PI and Dept. Administrator to provide additional oversight as prescribed</p>

MONITORING IN PRACTICE

OMB Circular A-133_section 400(d)	UC Actions
Permit the pass-through entity and auditors to have access to the records and financial statements as necessary for the pass-through entity	URA includes audit language in the subaward terms

MONITORING IN PRACTICE

Specific Monitoring Actions in Detail

- Subaward Risk Assessment
- Accounting and Tracking

SUBAWARD RISK ASSESSMENT

How is the subrecipient risk level assessed?

- URA conducts a Subrecipient Risk Assessment on every action of the subaward
- SAA reviews subrecipient A-133 or Financial Statement audit results
- PI or Dept. Administrator provides information or feedback to consider

SUBAWARD RISK ASSESSMENT

Certification that, to the best of our knowledge, funds are not being transferred to individuals or entities identified by EPLAS or OFAC:

- **Excluded Parties List:** debarred, suspended, proposed for debarment, declared ineligible or voluntarily excluded from participation in this transaction by any federal department or agency. www.epls.gov
- **Office of Foreign Assets Control, Specially Designated Nationals & Blocked Persons List:** list of individuals and companies owned or controlled by, or acting for or on behalf of, targeted countries. It also lists individuals, groups, and entities, such as terrorists and narcotics traffickers designated under programs that are not country-specific.

The University of Chicago Subrecipient Risk Assessment Form

General instructions for Risk Assessment form are below chart.

TRACS Date of Assessment

PI Name Sub Name

Sponsor

OFAC and EPLS List Results(see the general instructions):

Subrecipient Not found on OFAC/EPLS List or is an FDP member

Subrecipient On OFAC/EPLS List **DO NOT PROCEED**

Criteria	Low Risk (0)	Med Risk (1)	High Risk (2)	Weight	x	Score	=	Weighted Score = Weight x Score
A-133 or audit reports on file† (Initial Subaward Agreement only-does not apply for modifications)	A-133 on file with no material findings	A-133 pending SAA review†; A-133 with material findings; Independent Auditors Report with unqualified opinion	Independent Auditors Report with qualified/adverse opinion	4	x	<input type="text"/>	=	0
No audit material available			Financial Management Questionnaire completed	6	x	<input type="text"/>	=	0
Domestic or Foreign	domestic US		foreign or domestic with a foreign component	4	x	<input type="text"/>	=	0
Cumulative direct cost amount of subaward/contract	Total <=\$499,999		total >=\$500,000	2	x	<input type="text"/>	=	0
Cumulative percentage of UC award subawarded/contracted to this sub recipient	total <50%		total >=50%	3	x	<input type="text"/>	=	0
Relationship of sub to PI and potential for COI	COI cleared		COI pending or in review due to existing PI relationship	4	x	<input type="text"/>	=	0
Export control compliance	not applicable	license in place	license pending	4	x	<input type="text"/>	=	0
IACUC compliance	not applicable/protocol approved (attach if non-FDP)/Sub is FDP member		pending	4	x	<input type="text"/>	=	0
IRB compliance	not applicable/protocol approved (attach if non-FDP)/Sub is FDP member		pending	4	x	<input type="text"/>	=	0
Maturity of subrecipient organization	mature > 5 years	4-5 years	unknown, 0-3 years	4	x	<input type="text"/>	=	0
Subrecipient organization type	university, government, non-profit	corporation or industry (for-profit)	unknown, sole proprietor or consultant	4	x	<input type="text"/>	=	0

Subrecipient Risk Assessment Form (continued)

Subrecipient organization type	university, government, non-profit	corporation or industry (for-profit)	unknown, sole proprietor or consultant	4	x		=	0
UC award type	grant	cooperative agreement	subaward or contract/subcontract	2	x		=	0
Subaward payment mechanism	fixed price	cost reimbursable	upfront payment	2	x		=	0
Subrecipient's prior UC experience	former sub - positive relationship	new sub - no experience (non-University)	former sub - negative issues	2	x		=	0
UC award is from:	non-profit	cooperative or for-profit	government or state	1	x		=	0
TOTAL								0

Notes:

Risk Level Assignment & Actions *(circle risk level assigned)*

Low 0-11	No action necessary.
Medium 12-50	As appropriate, require detailed invoicing for subrecipient; as appropriate, seek guidance from PI, URA management and/or Sponsored Award Accounting on complex contract or compliance issues.
High 51-83	As appropriate, seek guidance from PI, URA management, Sponsored Award Accounting, Legal and/or Risk Management on complex contract or compliance issues and the additional monitoring that should be put in place such as more detailed invoices, more frequent/detailed financial and/or programmatic reporting, etc. including how and by whom the monitoring will be done.
Very High >=84	Monitoring and management discussions with PI, Dept PostAward Admin, Sponsored Award Accounting, URA management, Legal and Risk Management are required prior to issuance of an subaward.

Reviewer Initials **JG**

Date

This subaward/modification has been reviewed for compliance with University and sponsor terms and conditions and is approved for transmittal to subrecipient for review and execution. Authorization To Transmit:

Signature

Date

**Sponsored Award Accounting (SAA) will notify Subaward Manager if after review of an A-133 audit any action is required. For reviewing audited financial statements, refer to the Independent Auditor's Report Letter (IARL), look for "unqualified/qualified/adverse opinion" language. If the IARL states anything other than "unqualified opinion," send to Sponsored Award Accounting for review. The IARL should reference the accounting standards applied in the audit ("in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Audit Standards, issued by the Comptroller General of the United States" or "Federal Accounting Standards Board").*

updated 05/20/2011

SUBAWARD RISK ASSESSMENT

A VIEW FROM AURA...

Automating University Research Administration

AURA is an electronic research administrative system which facilitates the pre-award research administration activities on campus.

Sign In

You are trying to login to auragrants.uchicago.edu
A Web-Single-Signon protected site

CNetID:

Password:

[Forgot your password?](#)

Login

SUBAWARD RISK ASSESSMENT

Questions to consider when audited financial statements are not available. Cover issues of the subrecipient's financial management system:

- Does the system provide records that can identify the source and application of funds for individual award-supported activities?
- Does the organization have controls to prevent invoicing in excess of approved, budgeted amounts?
- Does the organization's procedures ensure that costs deemed unallowable, per the federal guidelines noted above, are excluded from the amount billed to the University under this subagreement?
- Does the subrecipient's staff have a working knowledge of the OMB Circular A-21 Cost Principles, the OMB Circular A-110 Administrative Requirements and other relevant Federal guidelines that are applicable to the subaward?

SUBAWARD RISK ASSESSMENT

The following may make the subrecipient “high risk”:

- No A-133 Audit and/or no financial statements
- Audit findings related to funding from other subawards
- Material audit findings that suggest the entity is lacking internal controls
- Negative prior experience
- Overall weighted score from Risk Assessment Form
- Some “intangibles” may influence the overall management decision

HIGH RISK SUBAWARDS

What happens if the subrecipient is deemed high risk?

- A subaward may still be issued to the high risk entities
- Requires increased monitoring of activities and expenditures throughout the life of the subaward
 - More stringent termination or stop-work language for failure to comply with requirements
 - Terms to required detailed invoices and additional supporting documentation (e.g. travel receipts)
 - Greater communication between UC and subrecipient to assess progress (more frequent technical reports, required conference calls, etc.)
 - Tailored reporting requirements, e.g., tie receipt of technical progress to payments.
 - Site visits/on-site monitoring (technical and financial)

Sample subaward with detailed invoicing requirement

Subaward Agreement		
Prime Awardee	Subawardee	
Institution/Organization ("UNIVERSITY") Name: THE UNIVERSITY OF CHICAGO Address: 6030 S. Ellis Avenue, ED 114 Chicago, IL 60637	Institution/Organization ("COLLABORATOR") Name: Address:	
Prime Award No. n/a	Subaward No.	
Sponsor: _____		
Subaward Period of Performance: 10/1/10-9/30/11	Amount Funded this Action	Est. Total (if incrementally funded)
Project Title: _____		
Reporting Requirements [Check here if applicable: <input checked="" type="checkbox"/> See Attachment 3]		
Terms and Conditions		
1) University hereby awards a cost reimbursable subaward, as described above, to Collaborator. The statement of work and budget for this subaward are shown in Attachment 4. In its performance of subaward work, Collaborator shall be an independent entity and not an employee or agent of University.		
2) University shall reimburse Collaborator not more often than monthly for allowable costs. All invoices will be submitted with the Collaborator Detailed Invoice provided as Attachment 5, shall include current and cumulative costs (including cost sharing), subaward number, accompanied by copies of receipts and other means of verification of expenses Collaborator Detailed Invoice must include certification as to truth and accuracy of invoice. Costs must be expressed in U.S. dollars using an exchange rate applicable at the time invoice is submitted. Expenditures of Collaborator shall conform to the budget in Attachment 4. All payments will be in U.S. dollars. Questions concerning payments should be directed to the appropriate party's Financial Contact, as shown in Attachment 2.		

**Attachment 6
Collaborator Detailed Invoice**

Funding Organization: _____

Subaward Number: _____

University of Chicago Principal Investigator: _____

Collaborator Principal Investigator: _____

Period Covered by Subaward: _____

Period Covered by Invoice: _____ Date Invoice Submitted: _____

Expense Category	Expenses Previously Reported	Expenses for Period	Total for Grant
Senior Personnel <i>List individuals by name, title/position, hourly/annual rate, level of effort, and amount claimed.</i>			
Fringe Benefits <i>Cite rate and amount or individual benefits and their cost.</i>			
Equipment <i>Itemize individual purchases and amounts.</i>			
Travel <i>Identify travelers, dates, destination, purpose of trip, and amount.</i>			
Consultant Fees <i>Identify individuals and amounts.</i>			
Materials & Supplies <i>Include detailed breakdown if total exceeds \$1,000.</i>			
Other Cost <i>Include detailed breakdown if total exceeds \$1,000.</i>			
Subawards <i>Attach subcontractor invoices.</i>			
Indirect Costs (overhead) <i>Cite rate, its basis and amount.</i>			
Total			

University of Chicago Research Administration	Signature verifies costs are reasonable and allocable to the project.
	Voucher prepared by: _____
	Date: _____

All invoices should be accompanied by copies of receipts and other means of verification of expenses.

ACCOUNTING AND TRACKING

- **Distinct FAS object codes**

- A separate unique subaccount in the subaccount range 86XX is assigned to each fully executed subcontract
- For example, if you have 5 subawards, you will have 5 subaccounts...8601, 8602,....

8601	SC-NEW YORK UNIV	16,610
8602	SC-UNIV WASHINGTON	30,172
8603	SC-UNIV OF FLORIDA	123,685

- Indirect costs are recovered only on the first \$25,000 of payments for each project segment and are charged to unique 9103 - 9107 subaccounts
- For example, if you have 5 subawards, you will have 5 subaccounts...9103, 9104,....
- If there are more than 5 subawards under one prime award, an associate account will be created for the additional subawards

ACCOUNTING AND TRACKING

- **Invoice Review and Payment**

- The Department Administrator initiates the review and processing of the invoice for payment; items to review include:
 - Executed subaward or related amendment
 - Billing Period
 - Billing Period and Cumulative Expense Totals
 - Signature and Certification Statement
 - **Detailed information (e.g. effort by staff) or additional backup (e.g. travel receipts) if required or offered**
 - Final invoice
- The Principal Investigator and Department Administrator are responsible for determining the allowability of the costs submitted for payment
- The invoice should be consistent with the subaward budget and the progress reports received to date
- A Direct Payment Voucher and the **Subrecipient Payment Authorization Form** must be completed to pay the subrecipient invoice

ACCOUNTING AND TRACKING

THE UNIVERSITY OF CHICAGO Subrecipient Payment Authorization

To be completed by Administrator or P.I.

1. Subrecipient

a. Organization Name:

b. Principal Investigator:

2. Subagreement:

a. Period of Performance

i. Begin Date:

ii. End Date:

b. Amount Awarded

3. Invoice Information:

a. Number:

b. Billing period:

i. Begin Date

ii. End Date

c. Amount Invoiced

i. Billing Period

ii. Cumulative

ACCOUNTING AND TRACKING

d. Amount to be paid. If not equal to 3.c.i, attach explanation.

e. Account to Charge

4. FAS Reconciliation

a. FAS cumulative expense

b. Add amount from 3.d

c. Total (4.a + 4.b). If not equal to 3.c.ii, attach explanation

To be completed by Principal Investigator

The attached invoice appears reasonable in light of the subrecipient's progress reports to me.

P.I. Signature:

P.I. Name (printed/typed)

Date:

ACCOUNTING AND TRACKING

- **PI Review and Approval**

- Dept. Administrator provides the PI a copy of the DPV, invoice, any supporting documents, and the Subrecipient Payment Authorization form
- Dept. Administrator requests that the **PI review invoice to confirm that the amount invoiced is consistent with and reasonable for the subcontractor work completed during the billing period**
- As needed, Dept. Administrator follows up with subrecipient accounting office or collaborating department at the request of PI if there are questions on billing amounts or work completed to date

ISSUES OBSERVED

- The subrecipient PI may also be engaged as a consultant on the award
- Administrator and/or PI is not aware of the risk level assessed
- Invoice processed for payment when no subaward agreement is in place or amendment is pending
- Invoice is approved without appropriate backup or with incorrect math
- PIs may discuss award terms directly and it may conflict with subaward terms
- Actions taken in haste due to increased pressure from subrecipient; especially those with cash flow needs

LESSONS LEARNED

- We all play a role in the process
 - URA, SAA, PI, Dept. Administrator...
- Good monitoring starts with a solid subaward agreement ; address concerns and mitigate potential risks in subaward agreement:
 - descriptive, detailed work scope
 - detailed budget for salary, fringe, supplies, other costs and IDCs
 - budget justification to further detail the costs for the work under the subaward
 - reporting requirements that support monitoring progress of work
 - current contact information for subrecipient
- Invoice review is a key step in monitoring; Reviewing the invoice is more than just processing it for payment
 - Confirm that additional detail or backup required is included and reconciles to the invoice totals
 - Make sure the PI is aware of the risk when signing the **Subrecipient Payment Authorization Form**
 - Do not process for payment if there are any discrepancies or concerns about the invoice or the amount of work performed

RESOURCES

Federal Guidelines

- OMB Circular A-110

http://www.whitehouse.gov/omb/circulars_a110/

- OMB Circular A-133

<http://www.whitehouse.gov/omb/circulars/a133/a133.pdf>

- Office of Foreign Assets Control, Specially Designated Nationals and Blocked Persons List

www.treasury.gov/ofac/downloads/t11sdn.pdf

- Excluded Parties List

www.epls.gov

RESOURCES

Subaward Instructions and Templates

- URA Website: Subawards

<http://researchadmin.uchicago.edu/accepting/subawards.shtml>

UC Required Forms

- Authorization Form

<http://adminet.uchicago.edu/adminforms/pdfs/subrecipient-pay-auth.pdf>

- How to complete a DPV:

<http://finserv.uchicago.edu/purchasing/check/suppliers/dpv.shtml>