

## **Policy on Subrecipient Monitoring**

Effective: October 1, 2015

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### **Purpose**

To provide guidance that ensures that subrecipients conduct their portions of sponsored projects in compliance with the laws, regulations and terms and conditions of awards and subawards and that reimbursed costs incurred by subrecipients are allowable.

### **Definition**

A subrecipient is a third party organization performing a portion of an externally funded Northern Arizona University (NAU) sponsored project.

### **Applicability**

Subcontracts, subawards and subgrants made by NAU under federal grants, contracts and cooperative agreements are subject to these guidelines. Likewise, subcontracts from other entities (universities, local government units, states, etc.) that are funded by federal agencies are subject to the same regulations as federal awards made directly to NAU.

NAU has the responsibility throughout the life of an award to monitor the activities of subrecipients in accordance with the prime agreement to ensure that:

1. The awarded funds are expended in compliance with federal, state and ABOR policies and regulations.
2. The project is implemented accordance with the terms of the subrecipient agreement.
3. The performance goals are achieved and deliverables submitted on a timely basis.

### **Federal Regulations**

The federal regulations that describe subrecipient monitoring are contained in the Office of Management and Budget (OMB) "Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards" Additional information is available on the OMB website at [https://www.whitehouse.gov/omb/grants\\_docs](https://www.whitehouse.gov/omb/grants_docs). The federal requirements in this area are general but contain the following core elements:

- Ensure that potential or current subrecipients are not on the Excluded Parties List System
- Advise subrecipients of all applicable federal requirements by including the appropriate flow-down provisions from the prime agreement
- Oversee routine receipt and review of Technical Performance Reports included in progress reports and address any noted deficiencies

- Compare subrecipient Expenses to Budget
- Conduct On-site Visits and/or maintain Regular Contact
- Perform Audits, if necessary
- Review of single audit reports to determine if any findings pertain to the subrecipient relationship
- Consider subrecipient interdictions in those instances where the subrecipient shows continued inability or unwillingness to have required audits or correct instances of noncompliance
- Perform Risk Assessment analysis for subrecipients

The above list is not exhaustive of all compliance requirements. In addition to the general compliance elements noted above, there may be additional sponsor or program requirements that require collection and documentation of assurances related to lab animals, human subjects, biohazards, etc. during the life of a project.

### **NAU's Subrecipient Monitoring Guidelines**

The Office of Sponsored Projects (OSP) is responsible for obtaining and verifying the following information when reviewing sponsored proposals. This includes:

- Verifying and obtaining F&A and fringe benefit rates for potential subrecipients
- Verifying that proposal budget information is correct and comprised of allowable costs
- Verifying that potential subrecipient proposals have the proper approvals by authorized officials at the subrecipient organization
- Ensuring that the subrecipients proposal has the approval of the Principal Investigator (PI) and appropriate department and school officials at NAU
- Ensuring that subrecipients are not on the debarment listings prior to executing a new subcontract or entering into a renewal agreement for an existing subcontract
- Ensuring that subrecipient agreements on federal awards include the federal agency and the Catalog of Federal Domestic Assistance (CFDA) number as required by the single audit
- Ensuring that subrecipient agreements on federal awards include the Data Universal Numbering System (DUNS) identifier for all sub-awardees as required by the Federal Funding Accountability and Transparency Act of 2006
- Ensuring all subcontracts include a clause requiring subrecipient's invoices to state that costs are in compliance with Uniform Guidance and and/or the sponsor's requirements
- Ensure that subrecipient agreements include appropriate conflict of interest language and state whether financial conflict of interest requirements of the subrecipient or grantee apply

On an annual basis, the Office of Sponsored Projects will review all active subrecipients for which monitoring is required and conduct additional review of those needing further scrutiny. Some of the factors used to determine the amount of scrutiny applied include:

- Prior Experience with the Subrecipient, a New Subrecipient, an Inexperienced Subrecipient, A Subrecipient with a History of Noncompliance are all factors impacting the level of monitoring required – Organizations which exhibit any of the characteristics may require additional monitoring.
- Subrecipient Location – Remoteness from NAU may mandate additional monitoring. There may also be additional risk for foreign subrecipients requiring additional monitoring.

- Type of Organization – Organizations not subject to Single Audit will require additional and different monitoring.
- Percentage Passed Through – The larger the percentage of award passed through, the greater the need for monitoring.
- Subrecipient's Systems and Administrative Operations

Upon identification of all subrecipients, appropriate monitoring actions will be taken to ensure compliance with subcontract performance, financial terms and conditions and all applicable federal rules and regulations. OSP will coordinate these actions to avoid duplication of effort.

In addition to routine monitoring procedures, OSP will work with PIs and departmental/center administrators to establish channels of communications with subrecipients that require further scrutiny. Administrators at such subrecipient sites may be required to complete questionnaires for NAU to document internal controls and grant management procedures. Subrecipients not subject to Single Audit may be required to submit additional supporting documentation if circumstances warrant.

### **Departmental/Center Subrecipient Monitoring Procedures**

The frequency and scope of departmental/center monitoring procedures should be determined by the responsible PI, department chair/center director and departmental/center administrator in coordination with OSP. A "risk based" approach is recommended utilizing the guidelines as stated above.

PIs, departmental/center administrators, department chairs/center directors and OSP must incorporate the following monitoring procedures:

- Review of Technical Performance Reports – PIs should require periodic (at least annual) reviews of scientific and/or technical reports on a timely basis. Any unusual items should be investigated, documented and retained in the department's/center's files. While most technical deficiencies can be resolved by discussion between the NAU PI and the subrecipient PI some technical deficiencies are of such a magnitude that may require the PI to consider terminating the collaborative relationship. These deficiencies should be documented in writing and forwarded to the Department Chair/Center Director, Dean and OSP. Based on this information, a decision will be reached on how to remedy the issue.
- Review of Invoices – The routine review of invoices is required for all cost reimbursement subagreements. The subrecipient's invoice should provide cost information indicating both current and cumulative expenses. Departmental/Center administrators will ensure that there is a currently active signed subcontract before approving payment, review each invoice received to verify the invoice does not overlap or duplicate a previous invoice and compare these invoices to established subaward budgets. Any discrepancies noted in the review should be documented, discussed and resolved in consultation with OSP staff.
- Confirmation of Compliance with Uniform Guidance/Sponsor Requirements – Departmental/Center administrators shall confirm that the subrecipient invoice contains a statement certifying that costs are in compliance with Uniform Guidance and/or sponsor requirements prior to submitting invoices for payment.
- Approval of Invoices by PI and Departmental/Center Administrator – Both PIs and departmental/center administrators must signify their approval of invoices by signing the invoice.

Approved invoices will be forwarded to OSP for payment. In the event the PI is not available (such as when they are traveling for an extended period) a designee that has direct knowledge of the work may approve the invoice on an exception basis or the PI may approve via an email that can be attached to the invoice. By the PI's approval, he/she is attesting that the charges appear reasonable and the progress to date for the project is satisfactory and complies with the statement of work.

- Clarification of Invoiced Charges - Any charges that appear to be unallowable, unusual or excessive will be investigated and resolved by the departmental/center administrator prior to approval.
- On-site Visits – This is a discretionary monitoring procedure that could be conducted by the PI, department/center officials or central research administration officials to evaluate compliance with scientific objectives, appropriateness of subrecipient's administrative systems, processes and charges.
- Audits – Discretionary audits of subrecipients are an acceptable monitoring procedure and all university cost reimbursement subagreements contain an audit clause which provides this capability if necessary. Formal audits are infrequent and should be initiated with OSP.
- Single Audit Compliance Confirmation – OSP will on an annual basis obtain the information indicated on Attachment A for each subrecipient. Depending on the responses provided additional follow up might be needed to ensure that funds are being properly administered.
- Single Audit Reports – If there is a need to review the Single Audit report based on the information in the compliance confirmation, the reports can be viewed in the Federal Audit Clearinghouse (FAC) database available at <http://harvester.census.gov/sac>. This review is an acceptable substitute for obtaining and reviewing the subrecipient's audit report.
  - Subrecipients who continually demonstrate the inability or unwillingness to submit the required confirmation or audits may be subject to sanctions by NAU.
  - Subrecipients who have Single Audit findings that mention the subagreement will be required to respond to the finding(s) and, depending on the situation, may need to provide a refund or submit a corrective action plan.
  - Crosscutting findings could also have a possible impact on the subrecipient relationship and will need to be evaluated to determine if a corrective action plan is needed.
- Subrecipients not Subject to Single Audit – Single Audit does not apply to foreign or for-profit entities. Methods to assess compliance for these subrecipients may include requests for audited entity financial statements, certification of compliance with cost guidelines and on-site or desk audits. There may also be additional sponsor regulations that should be considered for these subrecipients.

## **Roles and Responsibilities**

- PIs
  - Approval of subrecipient award, including final budget and scope of work
  - Review of Technical Performance Reports
  - Review and Approval of Invoices (in coordination with departmental/center administrator)
  - Clarification of Expenses that Appear Inappropriate (in coordination with departmental/center administrator)
  - On Site Visits (if necessary to verify compliance with scientific objectives)

- Department Chairs/Center Directors
  - Review of invoices and comparison of invoices to approved subaward budgets
  - Provide oversight to PI and Department/Center Administrators to ensure compliance with subrecipient monitoring requirements
  
- Departmental/Center Administrators
  - Obtain an approved proposal from proposed subrecipients for inclusion in proposal submitted to proposed sponsors
  - Review of invoices and comparison of invoices to established subaward budgets
  - Clarification of any charges which appear to be unallowable, unusual or excessive
  
- OSP
  - Prepare subrecipient agreement(s) that include appropriate terms and conditions of the prime award and such other terms and conditions as are necessary to address deficiencies identified in the subrecipient risk analysis
  - Review, approve and process subrecipient invoices upon receipt and proper authorization from the PI/Department/Center Administrator
  - Conduct annual subrecipient monitoring as provided in this policy
  - Determine what form of monitoring is required for subrecipients not subject to Single Audit
  - Ensure each subrecipient proposal has the approval of the PI and appropriate department/center and school officials at NAU
  - Ensure subrecipients, principals or those performing services under subrecipient agreements are not presently debarred, suspended, proposed for debarment, declared for ineligible, or voluntarily excluded by any Federal department or agency from participation.
  - Verify and obtain F&A and fringe benefit rates for potential subrecipients
  - Verify that proposal budget information is correct and comprised of allowable costs
  - Verify subrecipient certifications and required compliance approvals including IRB, IACUC, biosafety, radiation safety, etc. Secure updated certifications and compliance approvals as necessary.
  - Forward potential conflict of Interest cases to the Institutional Official for Conflict of Interest. Assure that sponsor requirements for investigating and reporting on COI are followed prior to executing awards or modifications to awards.
  - Verify that potential subrecipient proposals have the proper approvals by authorized officials at the subrecipient's organization
  - Perform a risk based assessment for each subaward issued (Attachment B)
  
- Contact:
 

Office of Sponsored Projects: Kerri Byrd, 923-523-6466, [Kerri.Byrd@nau.edu](mailto:Kerri.Byrd@nau.edu)

Subrecipient A-133 Compliance Confirmation for the Fiscal Year July 1, \_\_\_\_\_ through June 30, \_\_\_\_\_  
 Northern Arizona University Subcontract # \_\_\_\_\_ ; CFDA# \_\_\_\_\_ Subrecipient Name \_\_\_\_\_

Because your organization is a subrecipient of Federal funds subcontracted to you by Northern Arizona University (NAU) you are required to have on file with us certain information as directed by the Office of Management and Budget (OMB) "Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards" ("Uniform Guidance"). As a subrecipient of Federal funds, we are requesting certification from your organization that you are in compliance with the Uniform Guidance requirements.

Legal Entity Name: \_\_\_\_\_  
 Legal Name of Parent Entity: \_\_\_\_\_  
 DUNS+4 Number: \_\_\_\_\_ CAGE Code Number: \_\_\_\_\_  
 Single Audit Number: \_\_\_\_\_ Title: \_\_\_\_\_  
 Contact Email Address: \_\_\_\_\_ Phone: \_\_\_\_\_ Fax: \_\_\_\_\_  
 Mailing  
 Address: \_\_\_\_\_ City: \_\_\_\_\_ State: \_\_\_\_\_ Zip \_\_\_\_\_  
 Country \_\_\_\_\_ Congressional District (required for US contractors) \_\_\_\_\_  
 Direct URL to access audit report: \_\_\_\_\_

For the subagreement listed above, answer the following questions:

1. Is work being conducted outside Congressional District listed above? \_\_\_\_\_ (If yes, answer 1a and 1b)
  - 1a. Congressional District where work is being performed \_\_\_\_\_
  - 1b. Amount of funds being spent in 1a \_\_\_\_\_
2. Has your organization issued any subawards under this subagreement? \_\_\_\_\_ If yes, name of organization and subaward # \_\_\_\_\_

Please check the appropriate item and provide any required reports, as applicable:

\_\_\_\_ We are not subject to the audit requirements of Uniform Guidance because our organization expended less than \$500,000 in Federal funds during our fiscal year ended \_\_\_\_\_. However, we have included a copy of our audited financial statements for that fiscal year with this certification.

\_\_\_\_ We are not subject to the audit requirements of Uniform Guidance because we are a for-profit organization. However, we have included a copy of our audited financial statements and management letter for our fiscal year ended \_\_\_\_\_.

\_\_\_\_ We have completed our Single Audit for fiscal year \_\_\_\_\_ to \_\_\_\_\_. There were no material weaknesses, material instances of noncompliance, and/or findings related to subawards from NAU were noted.

\_\_\_\_ We have completed our Single Audit for fiscal year \_\_\_\_\_ to \_\_\_\_\_. Material weaknesses, material instances of noncompliance, and/or findings related to subawards from NAU were noted. A copy of the audit report and our corrective action plan is included.

\_\_\_\_ We have not yet completed our Single Audit for fiscal year \_\_\_\_\_ to \_\_\_\_\_. We expect the audit to be completed on or about \_\_\_\_\_. We will send either written notification or a copy of the audit report within thirty days of its completion.

*I certify that the above information accurately represents the organization of which I am an authorized representative. Further, I certify that all relevant material findings in the audit report, if complete, have been disclosed.*

Signature: \_\_\_\_\_ Date: \_\_\_\_\_  
 Name and Title (Please Print) \_\_\_\_\_

Any Questions please contact Kerri Byrd at 928-523-6466 or by email at [Kerri.Byrd@nau.edu](mailto:Kerri.Byrd@nau.edu). Please return form to NAU, Office of Sponsored Projects

Risk Assessment Process:

This process outlines OSP's activities to be conducted in monitoring subrecipient activity associated with Sponsored Programs at time of subaward negotiation. This procedure delineates specific business activities that should be performed in managing subrecipients of sponsored awards.

When negotiations begin, OSP will request documentation from the potential subrecipient using NAU's

Subrecipient Information Form.

This document is designed to assist in collection of data elements used in assessing risk and information required for compliance with federal regulations such as those governing research with human or animal subjects, conflict of interest disclosures, OMB Uniform Guidance and Federal Register rules and regulations.

Before executing a subrecipient agreement OSP will conduct an assessment to identify potential risks associated with doing business with subrecipient. A risk assessment may take into account several factors, but limited to:

- Whether the potential subrecipient is subject to Single Audit or other federal financial review
- Evidence of effective financial controls within the subrecipient's systems and administrative operations
- Percentage passed through to subrecipient;
  - As a guideline, awards greater than 50% of NAU's prime award may receive substantial and frequent monitoring
- Prior experience with the subrecipient (e.g. Pre-award negotiations, financial/operational reporting accuracy and timeliness, response to requests, etc.)
- Type of subrecipient organization (for-profit/not-for-profit/corporation/foreign/domestic)
- Organizational and individual conflict of interest
- Confirmation that the subrecipient is not listed on the Excluded Parties List System

Where the risk assessment reveals a high potential for financial risk, the person in OSP responsible for negotiating the subaward will document the approach taken to mitigate the concern. OSP will consult, follow and document their standard operating procedures to ensure that the appropriate approvals are acquired prior to establishment of the subaward.