

## **Policy on Subrecipient Monitoring**

Effective: October 1, 2015

Revised: June 18, 2019

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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 at [ecfr.gov](http://ecfr.gov). 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](#). 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.
  - Surecipients 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 (OSP): 923-523-4880, [NAU-OSP@nau.edu](mailto:NAU-OSP@nau.edu)

## NAU SUBRECIPIENT COMMITMENT FORM

Any organization planning to enter into a subrecipient relationship with Northern Arizona University (NAU) must complete this form at the proposal stage. Please email the completed form and required proposal documents to the NAU PI and the Office of Sponsored Projects (OSP) contact listed below.

SECTION A. NAU Information to be completed by NAU PI.	
Proposal Title:	
Prime Sponsor:	
Solicitation #:	
NAU Principal Investigator (PI):	
PI Phone:	PI Email:
OSP Contact Name:	
OSP Contact Phone:	OSP Contact Email:

SECTION B. Subrecipient Information	
Subrecipient Legal Name:	Subrecipient Principal Investigator:
Address:	Address:
DUNS:	Email:
EIN:	Phone:
Administrative Contact Name <i>(responsible for subaward processing)</i> :	
Address:	Administrative Contact Email:
	Administrative Contact Phone:

**Yes**  **No** Is the subrecipient organization, its Principle Investigator, officials, or any other employee or student participating in this project presently debarred, suspended, proposed for debarment, declared ineligible or voluntarily excluded from participation in any federal department or agency?

**Yes**  **No** The subrecipient is currently registered in System for Award Management (SAM) and will keep registration current throughout the life of the award.

If “**No**” and federal funding: Organizations that have NOT registered with SAM will need to obtain a DUNS number first and then access the [SAM online registration](#). Subrecipient must maintain their current information in SAM. No subaward will be reissued until SAM registration is complete.

### SECTION C. Required Documents

The following documents are included in subrecipient subaward proposal submission and covered by certifications in SECTION D.

**STATEMENT OF WORK** (REQUIRED – Please attach to this form with submission) Includes work to be performed, project description, PI, period of performance, reports, deliverables, milestones.

**DETAILED BUDGET** and **BUDGET JUSTIFICATION** (REQUIRED – Please attach to this form with submission) Includes budget for entire length of project and broken down by budget period; and budget justification with reasonable level of detail.

### SECTION D. Certifications

1. **Facilities and Administrative Rates** included in this proposal have been calculated based on (check as applicable):

Our federally-negotiated F&A rate for this type of work is \_\_\_\_\_ (Enter F&A rate)  
*(If this box is checked, attached a copy of your F&A rate agreement or provide a link to the agreement below)*

URL:

My organization has used the Sponsor’s published limited F&A cap.

My organization is not requesting any F&A

My organization does not have a federally negotiated F&A rate and is requesting an F&A rate of \_\_\_\_\_

**IMPORTANT:** *If your organization is receiving funding under a federal award and you do not have a federally negotiated F&A rate, your organization can only include a maximum rate of 10% on Modified Total Direct Costs.*

2. **Conflict of interest** (applicable to PHS funded sponsors or those that have adopted the federal financial disclosure requirements as defined in 42 CFR part 50 Subpart F and 42 CFR part 94)

Not applicable because this project is not being funded by PHS (NIH, CDC, AHRQ, etc), or any other sponsor that has adopted the federal financial disclosure requirements

Subrecipient is registered in the FDP Clearinghouse indicating compliance with the provision of 42 CFR part 50, Subpart F “Responsibility of Applicants for Promoting Objectivity in Research and 42 CFR part 94

<i>Conflict of interest continued</i>		
<input type="checkbox"/>	Subrecipient is not registered in the FDP Clearinghouse, but certifies that is has an active and enforced Conflict of Interest policy that is consistent with the provision of 42 CFR Part 50, Subpart F “Responsibility of Applicants for Promoting Objectivity in Research” and 45 CFR Part 94 “Responsible Prospective Contractors.”	
	<ul style="list-style-type: none"> <li>○ Register policy on FDP website OR</li> <li>○ Provide to NAU a copy of the policy for NAU’s review</li> </ul>	
<input type="checkbox"/>	Subrecipient does not have an active and/or enforced Conflict of Interest policy, but will have a PHS compliant policy in place and published at the time of award.	
<input type="checkbox"/>	Subrecipient does not have an active and/or enforced Conflict of Interest policy and agrees to adopt NAU’s policy. NAU’s COISP policy can be found at the <a href="#">university policy library</a>	

<b>SECTION E. Project-Specific Requirements</b>		
<b>1. Human Subjects:</b>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<input type="checkbox"/> If Yes: Copies of the Institutional Review Board (IRB) or Ethics Committee approval and approved "Informed Consent" form must be provided before any subaward will be issued. If pending, obtain approval as required and forward these documents to NAU’s Principal Investigator as soon as available.		
<input type="checkbox"/> If “ <b>Yes</b> ” and NIH funding is involved: Have all key personnel involved completed Human Subjects Training?	<input type="checkbox"/> Yes	<input type="checkbox"/> No
Note: All key personnel engaged in human subject research must take the NIH human subjects training or human subjects research training ( <a href="#">NIH human subjects FAQs</a> )		
<b>2. Animal Subjects:</b>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
If “ <b>Yes</b> ”: A copy of the IACUC Committee approval must be provided before any subaward will be issued. If <b>pending</b> , obtain approval as required and forward these documents to NAU’s PI as soon as available.		



**SECTION F. Audit (A-133)**

**1. Single Audit Report Link:**

We have completed our A-133 Single Audit for fiscal year ending \_\_\_\_\_

Our A-133 Single Audit for fiscal year ending \_\_\_\_\_

Is not anticipated to be complete until \_\_\_\_\_

Within thirty days of completion, we will amend and resubmit this certification with any required documentation.

We **are not subject** to the provisions of OMB Circular A-133 because our organization:

Expends less than \$750,000 in federal awards annually

Is a non-U.S. entity

Is a for-profit entity

Other:

**SUBRECIPIENT AUTHORIZED APPROVER: THIS SECTION MUST BE COMPLETED**

The information, certifications, and representations above have been read, signed, and made by an authorized official of the subrecipient named herein. The appropriate programmatic and administrative personnel involved in this application are aware of agency policy in regard to subawards and are prepared to establish the necessary inter-institutional agreements consistent with those policies.

**Any work begun and/or expenses incurred prior to execution of a subaward agreement are at the subrecipient's own risk.**

(Signature of Subrecipient's Authorized Official)

DATE

(Type or print name and title of Authorized Official)

Phone:

Email:

## 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 Risk Analysis Tool](#).

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.