

SUBCONTRACT AND SUBRECIPIENT MONITORING:

POLICIES AND PROCEDURES

Purpose:

1. assist Southern University at Baton Rouge (SUBR) faculty and staff in the preparation and administration of subrecipient agreements issued under sponsored projects.
2. assure compliance with the requirements of the Office of Management and Budget (OMB) Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations" by outlining required procedures for proper monitoring of all subagreements issued by SUBR, and
3. define the proper roles and responsibilities for monitoring subrecipients.

Definition:

Subcontract/Subaward

A subaward is a contractual agreement between SUBR and a third party organization for the performance of a portion of the work statement covered by a prime agreement that is funded of a University sponsored project. Similar terms that are commonly used are: subgrant, subagreement, and pass through. They are all contractual relationships between SUBR and another institution/organization/corporation.

The purpose of this policy is to define only those contractual relationships that involve transfer to research or programmatic activity to another institution. This policy is not intended to provide guidance on other types of contractual relationships (including consulting agreements) which may occur on sponsored projects. These other types of contracts are vendor relationships and are governed by university procurement policies.

An organization is considered to be a subrecipient of a federal award when its:

- services are uniquely designed in response to each project, and not provided commercially.
- Uses the federal funds to carry out a program of the organization as compared to providing goods or services for a program of the pass-through entity.

adherence to applicable federal program compliance requirements.

- participates in development and execution of statement of work and approved budget.
- results are likely to be published in the scientific literature and/or subawardee is likely to be a co-author on a SUBR publication.

Procedures for Subcontract and Subrecipient Monitoring:

As a prime recipient and a pass-through entity of Federal awards, SUBR is required to monitor the activities of subrecipients. The following is provided to assist faculty and staff in ensuring that subrecipients conduct their portions of research projects in compliance with laws, regulations, and the provisions of awards or subawards; and that project costs incurred by subrecipients are reasonable and allowable.

Governing Requirements:

The requirements for subrecipient monitoring are contained in 31 USC 7502 (f)(2)(B) (Single Audit Act Amendments of 1996 (Pub. L. 104-156)), OMB Circular A-133 (§___225 and (§___400 (d)), OMB Circular A-110 (§___51 (a)), Federal awarding agency program regulations, and the terms and conditions of an award¹.

Subrecipient monitoring can take on various forms and is not limited by the practices described below. The OMB Compliance Supplement (1) outlines the following forms of monitoring activity:

- Reporting – Reviewing financial and performance reports submitted by the subrecipient.
- Site Visits – Performing site visits at the subrecipient to review financial and programmatic records and observe operations.
- Regular Contact – Regular contacts with the subrecipients and appropriate inquiries concerning program activities.

OSP staff may review all active subcontracts for which monitoring is mandated and may inquire further into those that are deemed to require closer scrutiny in light of considerations such as:

- Size of the subrecipient award. Other factors being equal, large awards (for example, with annual budgets >\$500K) may receive more substantial and/or more frequent review and monitoring; mid-sized awards (annual budget \$100K-\$500K) may receive proportionately less substantial and less frequent monitoring; smaller awards (<\$100K) may receive general review with the least frequent oversight.
- Award size relative to the subrecipient's sponsored research portfolio.
- Percentage passed through: the larger the percentage of program award passed through, the greater the need for subrecipient monitoring.
- Award complexity, sensitivity of the work and/or extensiveness of the governing regulations.
- Prior experience with the subrecipient, e.g. a new subrecipient, an inexperienced subrecipient, a history of non-compliance, having new personnel, or having new or substantially changed systems.

- Subrecipient location or for-profit status (remoteness from SUBR may mandate more oversight); increased risk associated with some foreign and for-profit subrecipients dictates that they might merit a greater degree of review, evaluation and attention.
- Degree of external oversight by auditors or sponsoring agencies. Note that SUBR is obligated to monitor subrecipients of its federal awards, regardless of the subrecipients being subject to A-133 audits.
- The type of subrecipient's systems and administrative operations.

Upon identification of subrecipients that mandate closer scrutiny, based on the above review criteria, OSP will take appropriate monitoring actions to ensure compliance with subagreement performance, financial terms and conditions, and with all applicable federal rules and regulations.

In addition to routine monitoring procedures, OSP staff will work with PIs and department administrators to establish channels of communication with subrecipients that require further scrutiny. In addition, subrecipients that are not subject to A-133 may be asked to submit supporting documentation in the form of original receipts, copies of payroll records, audits, etc. if circumstances warrant. Also, periodic submission of subawardee technical reports may be required, when applicable.

Roles and Responsibilities

Principal Investigator (PI):

It is the responsibility of the Principal Investigator to:

- Ensure compliance with the policy for Subrecipient Monitoring.
- Make initial determination as to whether a subrecipient relationship exists.
- Identify subcontract/subaward programmatic activity in separate statements of work, letters of intent and budgets in the original proposal.
- Determine the frequency and scope for monitoring programmatic activities of a subrecipient, to include regular contact with the subrecipient.
- Ensure subrecipients comply with the technical provisions of the subcontract.
- Ensure that department personnel involved in financial administration of sponsored projects is familiar with the policy for Subrecipient Monitoring.
- Monitor subcontract to ensure that costs are appropriate, approved and accumulated in the accounting system.
- Ensure all required subrecipient programmatic reporting is current.
- Approve all subrecipient invoices in consultation with the individual who is aware of the costs incurred in relation to the work performed on the subcontract. The PI must sign all subrecipient invoices and forward to OSP for receiving and transmittal to Accounts Payable.
- Keep detailed records of communications regarding unsatisfactory performance by the subrecipient.
- Determine when a subcontract is to be amended. Common reasons for amending a subcontract include providing additional funding, extending the period of performance, or

modifying the reporting schedule. Some changes, such as scope-of-work changes, change in the subcontract recipient's principal investigator or transferring the subcontract from one recipient to another, may require the prior approval of the prime sponsor. Contact the OSP for guidance and assistance with agency approvals.

Office of Sponsored Programs:

It is the responsibility of the Office of Sponsored Programs (OSP) to:

- Verify whether a subrecipient relationship exists.
- Review proposals prior to submission to assure that subcontract/subaward arrangements are appropriately budgeted in the prime award (separate statement of work, letter of intent and budget).
- Ensure appropriate flow down requirements are included in the subcontract/subaward agreement.
- Upon request, advise PIs, chair, dean and central administrative departments of flow down requirements from prime award to subcontract/subaward agreements.
- Ensure that subrecipients meet the audit requirements of A-133.
- Review that the corrective action cited by subrecipients in response to their audit findings is timely and appropriate.
- Draft appropriate subcontract document and forward to collaborating institution.
- Negotiate, when necessary with University Counsel, changes requested by collaborating institution.
- After signature by collaborating institution obtain signature of SUBR authorized official to fully execute the subcontract.
- Submit subcontract package to the purchasing office for processing.
- When invoices are received by the OSP, the PI will be contacted for review, approval and compliance with approved expenditures.
- After PI approval, transmit invoice to Accounts Payable for payment.

Subrecipient Selection Process:

A. OSP will ensure the following steps to determine acceptability of a prospective subrecipient:

1. Ensure that the subrecipient have a cost control system that complies with Generally Acceptable Accounting Principles.
2. Ensure that the subrecipient's internal controls are adequate for managing and administering the research to be funded through SU.
3. Verify that the subrecipient is not on the GSA "List of Parties Excluded from Federal Procurement and Nonprocurement Programs".
4. Verify the subrecipients and Sub-Principal Investigator (PI) have not been debarred or suspended from receiving federal funds.
5. Review the subrecipient's A-133 report, if available, for factors that could affect the release of a subaward.

- B. OSP will ensure that the PI has submitted a letter of participation signed by an authorized institutional official, scope of work, budget, and the current F&A Cost Rate Agreement, if appropriate.

The selection process will take into consideration the subrecipient's ability to comply with governing regulations and program's objectives and in-part be based on past performance, technical and financial resources. Also, it will be based on both the quality of the project and the capacity of the subrecipient to carry it out.

C. Sponsor or Peer Reviewed

If the subrecipient is specified in the proposal and the collaboration is funded, it is not necessary to comply with the procurement requirements for competitive bidding or sole source justification because the sponsor or peer reviewed process already approved the selection. If this is not the case, we will comply with the Non-Sponsor or Non-Peer Reviewed procedures for selection.

D. Non-Sponsor or Non-Peer Reviewed

It will be the responsibility of the SU Principal Investigator (PI), along with OSP, to comply with procurement requirements of the sponsor in selecting a subrecipient. There are two methods of selecting a subrecipient: competitive bidding or sole source procurement. Competitive bidding is the preferred method of subrecipient selection. This method requires OSP, in conjunction with the PI, to solicit proposals from a number of sources and make a final selection of a subrecipient from those responding based on technical merit and cost objectives, normally the lowest price from a technically qualified respondent.

When the procurement requires performance from a specific entity because services or expertise are unique or not available from other sources, the PI is required to provide sole source justification, identifying the need for the services and why the selected subrecipient is the only source available for the needed services. Sole source selection is not justified simply by the fact that there has been an ongoing collaboration between the researchers and the potential subrecipient. It must be further justified with reasons for the unavailability of the services or expertise from other sources.

¹. OMB Circular A-133, Appendix B Compliance Supplement – M. Subrecipient Monitoring, Compliance Requirements, Source of Governing Requirements.