

Subrecipient Monitoring Guidelines

Overview

These guidelines describe subrecipient monitoring roles and responsibilities to be followed in activities when Purdue University is the Pass-Through Entity (PTE) for sponsored funding. The definitions, guidelines, roles, and responsibilities detailed in this document cover subaward administration activities from proposal to closeout. Additional tools, materials, and procedural documentation recommended for use when carrying out these guidelines are included in the appendices. These guidelines have been developed in compliance with Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (2 CFR 200.330-.332 - Subrecipient Monitoring and Management).

Definitions

Award: An award is a binding agreement between an external sponsor and Purdue University to support research, instruction, training, service, or other scholarly activities with set terms and conditions.

Contractor: (2 CFR 200.22-23 and 2CFR 200.330) An entity that receives a contract. A contract means a legal instrument by which a non-Federal entity purchases property or services needed to carry out the project or program under a Federal award. The term as used in this part does not include a legal instrument, even if the non-Federal entity considers it a contract, when the substance of the transaction meets the definition of a Federal award or subaward.

Characteristics of a contractor:

- Provides the goods and services within normal business operations;
- Provides similar goods or services to many different purchasers;
- Normally operates in a competitive environment;
- Provides goods or services that are ancillary to the operation of the program; and
- Is not subject to the compliance requirements of the program, though similar requirements may apply for other reasons

Entity Profile: A form used to capture institutional data related to subrecipients.

Federal Demonstration Partnership (FDP): The Federal Demonstration Partnership is a cooperative initiative among federal agencies and institutional recipients of federal funds. Its purpose is to reduce the administrative burdens associated with research grants and contracts. The FDP is a unique forum for individuals from universities and nonprofits to work collaboratively with federal agency officials to improve the national research enterprise. (<http://sites.nationalacademies.org/pgafdp/index.htm>)

FDP Expanded Clearinghouse Pilot: A pilot authorized by the Federal Demonstration Partnership to test the efficacy and efficiency of using on-line entity profiles in lieu of subrecipient commitment forms to obtain information needed by pass-through entities when they are issuing subawards or monitoring their subrecipient Entities.

(http://sites.nationalacademies.org/PGA/fdp/PGA_171520)

High Risk Subrecipient: Those Subrecipients with an identified high risk criteria during the risk assessment are considered a high risk subrecipient. Those subrecipients deemed high risk will have their information forwarded to the Risk Assessment Committee (RAC) to determine appropriate subagreement language and other steps to monitor and mitigate the potential identified risk.

Pass-Through Entity: (2 CFR 200.74) Pass-through entity means a non-Federal entity that provides a subaward to a subrecipient to carry out part of a Federal program.

Risk Assessment: A risk assessment is completed for each new subaward or amendment. The risk assessment determines the level of risk associated with each subrecipient and subsequently to Purdue University. A risk level is assigned to each subrecipient based on the criteria in the risk assessment.

Risk Assessment Committee (RAC): The Risk Assessment Committee shall consist of staff from Post-Award, Contracting, Research Quality Assurance (RQA) and the EVPRP Office of Research Integrity and Regulatory Affairs. The chair of the Committee will be the Director of RQA. The RAC will utilize the risk assessment analysis and the sponsor award to determine appropriate subagreement language to ensure appropriate management of sponsored funds along with the determination of other steps to monitor and mitigate the potential identified risk.

Safe Harbor for Pass-Through Entities and Subrecipients: In accordance with 2 CFR 200.331 and further guidance, if Purdue confirms that a proposed subrecipient has a current Single Audit report submitted in the Federal Audit Clearinghouse, received direct Federal funds, and has not otherwise been excluded (e.g. debarred or suspended) from receipt of Federal funding, then Purdue can rely on the Subrecipient's cognizant or oversight agency for audit to follow-up and issue management decisions. No additional subrecipient review by Purdue is expected when the above conditions exist unless there are programmatic terms and conditions that need to be handled as potential high risk.

Subaward: An award provided by a pass-through entity to a subrecipient for the subrecipient to carry out part of a Federal award received by the pass-through entity. It does not include payments to a contractor or payments to an individual that is a beneficiary of a Federal program. A subaward may be provided through any form of legal agreement, including an agreement that the pass-through entity considers a contract.

- Cost reimbursement
 - Appropriate for most sub-awards.
- Fixed Price
 - May be appropriate when awardees are meeting specific requirements of the Federal award and the amount is based on performance and results. Prior written approval from the agency is required. These subawards cannot exceed the simplified acquisition threshold of \$150,000. .

The determination of subaward versus contractor is made at the proposal stage by SPS Pre-Award. Documentation of determination is provided through the indication of subrecipient or contractor in the submitted proposal. Relationships that may not be clear will be further documented through the use for the subrecipient versus contractor determination form.

Subrecipient Commitment Form: A form used by many institutions to capture data related to subrecipients. Data requested on these forms include entity profile information, project specific details, and often require signature from an authorized representative of the University.

Subrecipient: (2 CFR 200.330) A subaward is for the purpose of carrying out a portion of a Federal award and creates a Federal assistance relationship with the subrecipient.

Characteristics which support the classification of the non-Federal entity as a subrecipient include when the non-Federal entity:

- (1) Determines who is eligible to receive what Federal assistance;
- (2) Has its performance measured in relation to whether objectives of a Federal program were met;
- (3) Has responsibility for programmatic decision making;
- (4) Is responsible for adherence to applicable Federal program requirements specified in the Federal award; and
- (5) In accordance with its agreement, uses the Federal funds to carry out a program for a public purpose specified in authorizing statute, as opposed to providing goods or services for the benefit of the pass-through entity.

Subrecipient Monitoring: Activities undertaken to review the financial status and management controls of a subrecipient(s) to mitigate the risk of contracting with a subrecipient(s).

Subrecipient Risk Analysis Information Portal: The Subrecipient Risk Analysis Information Portal will be used to store information related to Subrecipients of outgoing subawards and to record submission of requested Purdue single audit information. The portal will contain information useful for the Subrecipient Risk Assessment. The type of information that will be available in the application for external recipients includes the following:

- Subrecipient Information (should be searchable using “contains”)
- Pre-Award Information (part of FDP clearinghouse & if not, date of last entity profile)
- Status of single audit
- If not single audit, status of other audit or financial statement
- Recipient of direct Federal funds
- Prior unique contractual language or high risk mitigation solution

Guidelines

Determination of Need for Subaward: The determination of the potential need for a subaward to a business/organization is normally made at the proposal stage, but can occur throughout the life of a project. When selecting a potential subrecipient, the PI should be aware of the ‘General Procurement Standards’ section related to conflict of interest (2 CFR 200.318) of the Uniform Guidance which states the following:

“(c)(1) The non-Federal entity must maintain written standards of conduct covering conflicts of interest and governing the actions of its employees engaged in the selection, award and administration of contracts. No employee, officer, or agent may participate in the selection, award, or administration of a

contract supported by a Federal award if he or she has a real or apparent conflict of interest. Such a conflict of interest would arise when the employee, officer, or agent, any member of his or her immediate family, his or her partner, or an organization which employs or is about to employ any of the parties indicated herein, has a financial or other interest in or a tangible personal benefit from a firm considered for a contract. The officers, employees, and agents of the non-Federal entity may neither solicit nor accept gratuities, favors, or anything of monetary value from contractors or parties to subcontracts. However, non-Federal entities may set standards for situations in which the financial interest is not substantial or the gift is an unsolicited item of nominal value. The standards of conduct must provide for disciplinary actions to be applied for violations of such standards by officers, employees, or agents of the non-Federal entity."

Documentation of Subaward versus Contractor: Documentation of determination is provided through the indication of subrecipient or contractor in the submitted proposal. Relationships that may not be clear will be further documented through the use for the subrecipient versus contractor determination form.

Subrecipient Documentation: SPS Pre-Award will gather the following from each potential Subrecipient identified as part of the proposal development process:

Letter of Intent: A letter of intent must be signed by the Subrecipient authorized representative and should include:

- The Subrecipient Authorized Institutional Official signature and may include the sub PI signature
- Intent to accomplish the work as outlined in the scope of work
- Project title
- Period of performance
- Funds requested
- Indication of use of human subjects or vertebrate animals

See Tools and Resources for a template of the letter of intent.

Budget: The budget should consist of Subawardee total costs, which includes direct and F&A costs, if applicable.

- Direct Costs should be itemized by major cost categories, e.g., salary, fringe benefits, equipment, travel. Include sufficient justification and basis for each cost element such as established rates or vendor quotes.
- Facilities & Administrative (Indirect) Costs must be based on a valid current F&A Rate Agreement with a Cognizant Federal Agency.

Use of De Minimis F&A Rate:

- Per 2 CFR 200.414(f), any non-Federal entity that has never received a negotiated indirect cost rate, except for those non-Federal entities described in Appendix VII to Part 200—States and Local Government and Indian Tribe Indirect Cost Proposals, paragraph D.1.b, may elect to charge a de minimis rate

of 10% of modified total direct costs (MTDC) which may be used indefinitely.

Statement of Work (SOW): The SOW provides sufficient detail of the technical and programmatic work to be accomplished by the Subrecipient.

For Public Health Service (PHS) Subawards: *Financial Conflict Of Interest (FCOI) Certification* - All subrecipients must comply with expanded FCOI policies. Each organization must certify that it has in place or will develop a Financial Conflict of Interest policy that complies with 42 CFR Part 50, Subpart F and/or 45 CFR Part 94. If the subcontractor entity does not have and will not develop its own policy, it must agree to follow the Purdue University policy. Subrecipients must provide an "Entity Profile" (referenced in Tools & Resources section below) indicating whether or not they have a compliant FCOI policy. This form is not required if the Subrecipient organization is a member of the FDP Expanded Clearinghouse. Additionally, the FCOI portion of the "Entity Profile" is not required if the Subrecipient organization is listed on the FDP COI Clearinghouse website: http://sites.nationalacademies.org/PGA/fdp/PGA_070596

Award Establishment: Once Post Award receives an award that contains subawards, they should review all documentation to ensure the correct indirect cost rate and fringe benefit rate has been used, the budget is reasonable and only allowable costs have been included, and a statement of work has been drafted (SOW). Post Award should complete the Subrecipient Risk Analysis and if there are identified high risk criteria, refer to the Risk Assessment Committee for review prior to establishment.

Subaward Agreement: Once it is determined that a subaward agreement is appropriate and Post-Award has completed the necessary steps, the subaward agreement will be assigned to a Contract Analyst, who will initiate the issuance of the subaward agreement. The Contract Analyst will prepare the appropriate subaward agreement, ensuring all terms and conditions for compliance, payment, closing, regulatory and assessed risks are addressed. The Contract Analyst is responsible for negotiation and finalization of the subaward.

Amendments to Subawards: If the Principal Investigator determines an amendment is required, Post Award will prepare the subaward amendment and upload any necessary documents needed for the amendment into COEUS. Common reasons for amendments are to provide additional funding, to extend the project period or to modify the reporting schedule. Depending on the circumstances, either a Contract Analyst or Post Award Research Administration Manager will be responsible for finalization of the subaward amendment. Completion of the Subrecipient Risk Analysis must be completed for each amendment.

FFATA: As of October 1, 2010, all Federal grants of \$25,000 and over are subject to the Federal Funding Accountability and Transparency Act (FFATA) subaward reporting requirements. Prime awardees are required to enter the subrecipient information in the FFATA Sub-Award Reporting System (FSRS <https://www.fsrs.gov/index?&>). Subrecipients must maintain an active registration in the System for Award Management (SAM.gov) in order to receive Federal funding.

If a subaward is requested after a prime contract is executed and no FFATA information has been obtained by Pre-Award, the contracting staff will obtain this information when a subaward is presented (if required). The subaward will not be fully executed until the FFATA information is obtained.

The FFATA report must be submitted by the end of the month following the month of the full execution of the subaward amendment. It is the duty of the SPS Post Award staff member to enter, submit and update the required FFATA information in the FSRS website. More details on FFATA reporting can be found at https://www.purdue.edu/business/sps/pdf/FFATA_Handbook.pdf.

Foreign Subrecipients: Entering into agreements with foreign subrecipients is often required for a PI to successfully complete his or her project objectives. A foreign subrecipient should not be considered high risk automatically; however, they should be considered high risk if any of the following conditions are present:

- The entity is not subject to a single audit under A-133 or 2 CFR 200;
- The entity requires cash advances to undertake activities;
- The entity does not have prior experience with managing sponsored programs (especially if a federal award);
- The entity is located (or work is located) in an area classified as under a Travel Warning or Travel Alert by the United States Department of State (<https://travel.state.gov/content/passports/en/alertswarnings.html>);
- The entity is located (or work is located) in an area currently under sanction by the United States Department of the Treasury (<https://www.treasury.gov/resource-center/sanctions/Programs/Pages/Programs.aspx>); or,
- The amount the entity is receiving is disproportionate with their historical financial activities.
- Disbursements will be handled in cash or otherwise require special handling.

The presence of these conditions should not be seen as an automatic disqualification for engaging with a foreign entity; however, additional risk monitoring steps may be necessary to ensure the foreign subrecipient remains compliant with all rules and regulations guiding the subagreement. When in doubt, Post Award should refer the entity to the Risk Assessment Committee (RAC) so an appropriate risk monitoring plan can be drafted.

Invoice Processing: Subrecipients are expected to send their invoices to SPS consistent with the terms of the agreement. Upon receipt of an invoice, it will be uploaded to Perceptive Content to capture the date they were received by SPS. SPS is responsible for reviewing each invoice to ensure sponsor terms and conditions, as specified in the award, are being followed. Once review is completed, documents will be prepared for payment and routed for appropriate signatures.

Risk Monitoring: Purdue University has established a Subrecipient Risk Analysis for evaluating the risk associated with the potential Subrecipient. The Subrecipient Risk Analysis is used to determine when the subagreement should be forwarded to the Risk Assessment Committee (RAC). The analysis is

completed to evaluate the Subrecipient's internal controls and business practices to perform the work proposed and their ability to compliantly manage sponsored funds. Based upon identified criteria, the potential Subagreement may be escalated to RAC as warranted, based upon the Subrecipient Risk Analysis. The RAC will utilize the risk assessment and sponsor award to determine appropriate subagreement language to ensure appropriate management of sponsored funds along with the determination of other steps to monitor and mitigate the potential identified risk.

Regulated Research: In general, the Subrecipient is responsible for compliance with all terms of the prime award. Terms, conditions, or clauses associated with US regulations for research using human subjects, animal subjects, recombinant/synthetic nucleic acids are mandatory for acceptance of a subaward. The use of these regulated research areas must be identified by the Subrecipient at the time the proposal is submitted. Through the Purdue Office of Research and Partnerships, a review of the Subrecipient's associated Statement of Work (SOW) may also identify regulated research. If regulated research is anticipated as part of the Subrecipient's proposed activity, appropriate approval information (e.g. Institutional Review Board (IRB) approval or other committee approval), may be requested prior to contract execution to ensure proper oversight.

Subrecipients may be considered high-risk if the institution does not possess a Federal Wide Assurance (FWA), Animal Wide Assurance (AWA), or follow *NIH Guidelines for Research Involving Recombinant or Synthetic Nucleic Acid Molecules (NIH Guidelines)*. Subrecipients are expected to report instances of non-compliance in line with the prime award.

Annual Subrecipient Monitoring: After the exit conference for the annual audit, the Subrecipient and Pass-through entities are identified. Notification is made to the Pass-through entities of the audit results. Subrecipient entities are reviewed and a certification is requested from all subrecipients who have not filed a profile with FDP or who have not submitted a report to the Federal Clearinghouse.

Termination of Subawards: If a Principal Investigator decides that the subaward agreement will not be renewed or will be terminated, the Principal Investigator will notify Post-Award or his/her respective business office of this determination. The matter should be referred to a Contract Analyst to review the terms and conditions set forth regarding the termination of the subaward agreement. Typically, there is a termination clause which provides guidance in how to properly terminate a subaward agreement. It will be at the Contract Analyst's discretion whether to refer the termination to the Office of General Counsel or proceed with the termination.

An amendment may be completed to shorten the project period or reduce the project funding for the subaward agreement. The Contract Analyst assigned should make the determination if an amendment needs to be complete and should initiate the proper steps for the issuance of an amendment of the subaward agreement.

Subaward Closeout: An integral part of subrecipient monitoring is closeout of the subaward at the end of the project period. At this point, final determination is made by the PI and SPS Post Award Staff that the subcontractor has fulfilled all of its responsibilities under the agreement. A subcontract is generally considered closed when all deliverables have been met and the final payment has been made.

Appendices: Tools and Resources

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- Roles & Responsibilities Matrix (being revised)
- Pre-Award Procedures (to be developed)
- Contracting Procedures (to be developed)
- Guidelines & Procedures for Subrecipient Commitment Forms (Entity Profile/LOI Instructions)
- LOI for Subrecipients
- Subrecipient vs Contractor Decision Guide
- FDP Expanded Clearinghouse FAQ
- Entity Profile (under development)
- Checklist for Subrecipient Proposal Documentation (to be revised and updated)
- Subrecipient Risk Analysis
- Subrecipient Risk Analysis Information Portal
- Subrecipient Risk Analysis Glossary
- Annual Subrecipient Monitoring Procedures (under development)

Post Award Tools and Resources:

- Create Sponsored Program QRC
- FFATA QRC
- Locate Check Information QRC – sub pmts
- New Vendor Request Process
- Change Posting Date for ZV60 Document QRC
- Subcontract Invoice Process
- Subcontract Routing Process
- Subrecipient Calculator QRC