

## Subrecipient Monitoring Procedures

This procedure describes the proper management of subrecipient activity under Purdue sponsored program awards.

### 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.

**Subaward:** A subaward of financial or other support from a prime awardee to a qualified organization for the performance of a substantive portion of the programmatic effort under the prime award.

- 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.

**Subrecipient:** An entity that expends awards from a pass-through entity to carry out a sponsored program.

Characteristics of a subrecipient:

- Receiving entity determines who is eligible to receive financial assistance;
- Has its performance measured against whether the objectives of the program are met;
- Has responsibility for programmatic decision making;
- Has responsibility for adherence to applicable programs compliance requirements; and
- Uses the funds to carry out a program of the organization as compared to providing goods or services for a program of the pass-through entity

**Contractor:** A dealer, distributor, merchant or other seller providing goods or services that is required for the conduct of the sponsored program. These goods or services may be for an organization's own use or for the use of beneficiaries of the project.

## Characteristics of a contractor:

- Provides the goods and services within normal business operations;
- Provides similar goods or services to many different purchasers;
- 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

**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).

**Pre-Award Process**

During the proposal process, Pre-Award will be responsible for:

- Make project role determination if applicant is a subrecipient or contractor. If contractor role, subrecipients information request will not be required.
- Obtain all subrecipient(s) contact information (PI and administrative contact).
- Provide Subrecipient Commitment Form (located at the following link S:\bs\common\users\SPS\PreAward\Subcontract) to all potential subrecipients.
  - Check FDP FCOI Clearinghouse web site [http://sites.nationalacademies.org/PGA/fdp/PGA\\_070596](http://sites.nationalacademies.org/PGA/fdp/PGA_070596) to determine appropriate Subrecipient Commitment form to send.
- Request form to be returned at least 2 business days prior to the published proposal deadline if reasonable.
- Verify Subrecipient Commitment Form has been completed with all required information. If debarred, contact your center manager.
- Review the budget to ensure the correct rates are being used.
- Upload the documents to COEUS
- Notate on route sheet if Subrecipient Commitment Form has been provided.

**Pre-Award Process – Post Submission**

After submission, if the Subrecipient Commitment Form (located at the following link S:\bs\common\users\SPS\PreAward\Subcontract) has not been provided:

- Follow up with the subrecipients via email. Include the PI from both institutions on emails.
- Contact a minimum of two times to try to obtain the requested information.

- After the second request the staff member should notify the Purdue PI that any missing subrecipient(s) information may delay the setup of the accounts if the project is funded.
- If the staff member cannot get the required information, the follow up dates and contacts should be included on the route sheet and noted that the information could not be obtained.
- Verify that regulatory information is indicated in COEUS IP record special review tab appropriately. Regulatory information will need to be validated even if Purdue is not the site of performance.

### **Post Award Process**

- Once Post Award receives an award that contains subawards, they should review all documentation
- The budget needs to be reviewed to ensure the correct indirect cost rate and fringe benefit rate has been used, and to ensure the budget is reasonable and only allowable costs have been included
- Post Award should analyze the risk in subcontracting with this subrecipient by using the Subrecipient Commitment Form to determine if the risk is high or low. Depending on how they are classified will determine what language is included in their agreement. Items that typically put the subrecipient in the 'High-Risk' category are the following:
  1. Findings on their most recent A-133 audit report that relate to sponsored program activity
  2. The subrecipient does not have an annual A-133 audit
  3. The subrecipient is a foundation or corporation
  4. The entity has a history of non-compliance
  5. A qualified audit report, or failure to have a current audit report
  6. A known history of non-performance
  7. A small company new to receiving sponsored program funds
  8. A foreign entity
  9. Percentage passed through
  10. Program complexity

If any of these 10 conditions exist the Director of Post Award will establish appropriate monitoring procedures for subrecipient oversight. The Post Award Office will also maintain a Risk Assessment Log that includes entities with audit findings.

- Complete the subrecipient tab in the sponsored program (T-code GMPROGRAM). Ensure the subrecipient's scope of work; budget and budget justification are uploaded in COEUS (Development or Institute Proposal record).

The following is a brief description of the key components that will indicate to the contract analyst what language to put in the agreement:

1. E-Verify should be marked yes if the prime agreement indicates that this is required
  2. FFATA should be marked yes for any agreements where it is a first tier subaward
  3. FDP should be marked yes if the FDP Subaward Template can be used
  4. If the subrecipient's statement of work or Subrecipient Commitment Form contains any indication of regulated research, the appropriate documents should be obtained. This can be achieved by either engaging with the EVPRP Research Regulatory Compliance team or communicating with the Subrecipient. The appropriate Regulatory Type(s) should be checked on the subrecipient tab in SAP as well.
  5. High-Risk should be marked yes if any of the following are true for the subrecipient:
    - The subrecipient has findings on their most recent audit report that relate to sponsored program activity
    - The subrecipient does not have an annual audit completed in accordance with Uniform Guidance requirements
    - The subrecipient is a foundation or corporation
    - The subrecipient is a foreign entity
    - The subrecipient has a history of non-compliance
- Post Award will ensure documentation is maintained of the decision of subrecipient vs. contractor in accordance with the Uniform Guidance requirement.

## **FFATA**

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

When the subaward amount is \$25,000 or larger, it is required that the following information is obtained from the subrecipient to meet the FFATA requirements:

- Name of entity receiving award
- Amount of award
- Funding agency
- NAICS code for contracts/CFDA program number for grants

- Program source
- Award title descriptive of the purpose of the funding action
- Location of the entity (including congressional district)
- Place of performance (including congressional district)
- Sam.gov Registration
- Unique identifier of the entity and its parent (DUNS); and

Total Compensation and names of top five executive (same threshold for prime) if

- More than 80% of annual gross revenues from the Federal government, and those revenues are greater than \$25M annually and
- Compensation information is not already available through reporting to the SEC

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 agreement. It is the duty of the appropriate SPS staff member to submit and update the required FFATA information in the FSRS website.

### **Contracting Process**

After the awarding agency has approved the selection of a subrecipient, whether by issuing an award that contains provisions for the subrecipient or by approving the selection of a subrecipient after the award has been made, the Post Award staff member awarding the primary award in SAP reviews the subrecipient information provided in the proposal for appropriate financial information. If the information is not included in the proposal, the Post Award staff member will work with the subcontractor and PI to obtain the required information needed. After all the required information is obtained the Post Award staff member completes the Subrecipient Tab in the associated sponsored program (T-code GMPROGRAM) and clicks the button at the bottom of the Subrecipient Tab to notify contracting that the information is ready for processing. This tab details any special requirements needed for the subaward, which should be brought to the Contract Analyst's attention. The Contract Analyst initiates the issuance of a subaward by drafting the subaward based on the Subrecipient entity, the terms and conditions of the Prime Award, the information entered in the Subrecipient Tab, and the Subrecipient Commitment Form.

Post Award will provide via the Subrecipient tab or the Subrecipient Commitment Form the following information:

1. Prime Award Identification.

2. Subrecipient name (which must match registered name in DUNS)
3. Subrecipient's DUNS number
4. Prime Award Date
5. Subaward Period of Performance Start and End Date
6. Amount of Funds obligated by this action;
7. Total Amount of Funds obligated to the subrecipient
8. Total Amount of the Prime Award
9. Proposed billing schedule
10. Federal award project description as required to be responsive to the Federal Funding Accountability and Transparency Act (FFATA);
11. Name of Prime awarding agency, pass-through entity, and contact information for awarding official
12. CFDA Number; the pass-through entity must identify the dollar amount made available under each Federal award and the CFDA number at time of disbursement
13. Indirect cost rate for the Federal award (including if the de minimis rate is charged per § 200.414 Indirect (F&A) costs)
14. All requirements imposed by the pass-through entity on the subrecipient so that the Prime award is used in accordance with applicable statutes, regulations and the terms and conditions of the Prime award
15. Any additional requirements that the pass-through entity imposes on the subrecipient in order for the pass-through entity to meet its own responsibility to the Prime awarding agency including identification of any required financial and performance reports
16. An approved federally recognized indirect cost rate negotiated between the subrecipient and the Federal government or, if no such rate exists, either a rate negotiated between the pass-through entity and the subrecipient (in compliance with this Part), or a de minimis indirect cost rate
17. A requirement that the subrecipient permit the pass-through entity and auditors to have access to the subrecipient's records and financial statements as necessary for the pass-through entity to meet the requirements of this section
18. Appropriate terms and conditions concerning closeout of the subaward
19. Special monitoring procedures/requirements for subrecipient compliance

Fixed Amount subawards 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. Post Award will notate if this is the funding mechanism.

Contracting will send a PDF of the document to the Subrecipient for signature by an authorized institutional official. Subrecipients are requested to return the signed subaward or a partially-executed PDF of the document, along with other supporting documents as needed (e.g., audit certification, subrecipient questionnaire, regulatory documentation, etc), to Contracting. After the subaward has been fully executed, the Contracting area will forward a fully-

executed subaward to the subrecipient and a copy to the appropriate SPS Research Administration Specialist.

## **Amendments**

The PI will determine when a subaward is to be amended. Common reasons for amending a subaward include providing additional funding, extending the period of performance, or modifying the reporting schedule. If an increase is being completed, it is necessary to verify that SPS has the correlating budget, Statement of Work and Budget Justification. Prior approval may be needed for changes such as the scope of work, change in PI, or transferring the subaward to a new institution.

Post Award prepares subcontract amendment (RA Specialist will prepare and send reviewer an email with path to amendment). If a revised SOW, budget and budget justification was received for the subrecipient, these documents will be uploaded to the IP record and a note will be placed in the comment box of the subrecipient tab. Also upload the Regulatory approval documentation in the IP record if applicable.

1. Post Award reviewer approves and forwards via email to [spscontr@purdue.edu](mailto:spscontr@purdue.edu).
  - a. Subject of email will be "Amendment #X for 4XXX-XXXX on Grant XXXX".
  - b. Body of email will include negotiation numbers for previous subagreement amendments.
  - c. Email will also state "Contact information can be located on the subrecipient tab of SP 8XXXXXXXXX."
  - d. The file location path will be stated rather than attaching the amendment.
2. Contracting clerk creates the negotiation record and routes to Contract analyst.
3. Contract analyst reviews and finalizes the amendment.
4. Contract analyst signs amendment and routes back to Contracting clerk who sends to subrecipient.
5. When subrecipient returns a fully signed amendment, Contracting clerk fully executes negotiation and routes hard copy to Post Award area.

Note: Industrial and Foundation amendments are completed by the SPS Contract Analyst.

## **Subaward Termination**

If a PI decides that the subaward will not be renewed or will be terminated, the PI will notify the subrecipient of such determination. At the time of expiration or termination, SPS staff will contact the subrecipient to make sure the final invoice and appropriate final reports have been submitted. The final technical report should be collected by the PI. An amendment may be necessary to reduce the time and /or funding in order to end the project per the PI's recommendation. This must be fully executed and returned to SPS prior to reallocating any possible remaining funds from the subrecipient.

## **Subaward Invoice Review and Processing**

Subrecipients are expected to send their invoices to Sponsored Program Services (SPS) consistent with the terms of the agreement. Upon receipt of an invoice through US Mail, SPS staff will date stamp the receipt date on the invoice. All invoices submitted via US Mail or email will be captured in ImageNow to document the date they were received by SPS. SPS is responsible for reviewing each invoice to ensure sponsor terms and conditions, specified in the award, are being followed.

SPS will consider the following when processing sub invoices:

- Correct Subcontractor and Account Number are provided
- Total amount of award is listed and accurate
- Time period of invoice coincides with the previous invoice. It generally should not overlap, have gaps in time, or exceed the project end date, except in special approved cases
- If possible, check that the fringe benefit rate and amounts are accurate for current invoice
- Check indirect cost rate to determine it is calculating correctly and is the federally approved rate provided in the approved proposal
- The current and cumulative total is in accordance with the approved budget(s), including any line-item categories and total amounts
- Cost sharing and memo match commitments are documented on the Invoice
- Subrecipient Calculator is accurate and up-to-date. Please refer to Subrecipient Calculator QRC for additional instructions.
- Invoice is certified

If an invoice is recommended for reimbursement, the SPS staff member will forward the invoice with a ZV60 document or direct invoice voucher (DIV), to the PI and copy the business office generic email for approval. The PI is responsible for the technical review to ensure that the work has been completed, reports have been submitted, and verify the validity of the expenses related to his/her project. Business Office staff will follow up with the faculty member as needed to assist with the approval process. If approval is not received by month end, the Research Specialist who prepared the payment document will follow up with the faculty member or Business Manager to inquire about the status. Once the PI has approved the payment via email or has signed the ZV60 or DIV, the PI or business office will notify SPS of the academic approval. SPS will sign as the comptroller and send to Accounts Payable for reimbursement. Accounts Payable will send the check directly to the subawardee.



**Invoice Issues**

If, during the review of an invoice, it is determined that there is a concern, Post Award will contact the subrecipient for either clarification or additional documentation (Post Award can provide our invoice template). Post Award will determine if there is either sufficient information to recommend reimbursement or determine that there are unallowable charges that should not be reimbursed, and therefore require a revised invoice from the subrecipient. It will be communicated that the invoice will not be processed until the concern is addressed and resolved. Invoices should not be approved for payment until all issues or concerns have been resolved.

If the PI determines there is a concern with an invoice, the PI should contact the subrecipient and notify SPS of the concern. SPS can offer a variety of solutions depending on the nature of the problem, the type of funding involved, and the sponsoring agency's policies. SPS will make every effort to work with subawardees to resolve any issues. However, Principal Investigators have certain rights that he/she can exercise if the collaboration is no longer determined to be productive and appropriate for the project.

**Subrecipient Monitoring Responsibilities**

The PI is responsible for:

- Certifying that work performed by the subrecipient is being completed and is acceptable. A certification statement has been added to the invoices for the faculty to sign.
- Maintaining regular contact with the subrecipient PI regarding all technical aspects of the project
- Ensuring that all deliverables required per agreement terms and conditions (technical and/or invention) are being completed and provided
- Reviewing and approving subrecipient invoices in a timely manner
- Communicate to the business office and SPS Post Award any deliverable or performance related issues

SPS is responsible for:

- Providing each subrecipient with the funding agency's name, project title, subaward number, prime sponsor reference number and CFDA number (if applicable)
- Providing the sponsor terms and conditions that are requirements of the subaward
- Ensuring that non-profit subrecipients who expend \$750,000 or more infederal awards during a subrecipient's fiscal year have met the audit requirements of the Single Audit
- Determining if a subrecipient is high-risk or low-risk, using the Subrecipient Commitment Form (located at the following link <S:\bs\common\users\SPS\PreAward\Subcontract>) and communicate this to contracting so that the appropriate language and terms are provided in the subagreement

- Requiring each subrecipient to permit Purdue and auditors to have access to the records and financial statements as necessary for audit purposes
- Reviewing and recommending subrecipient invoices and forwarding them to the PI for review and approval
- Verifying that cost share and memo match commitments are documented and certified by subrecipients
- Verifying the subrecipient and subrecipient PI have not been debarred or suspended from receiving federal funds at [SAM.gov](http://SAM.gov). This will be done when issuing initial subaward and any amendment of the subaward.
- Verifying the subrecipient has an IRB or IACUC approved research protocol when applicable by engaging with the EVPRP Research Regulatory Compliance team.
- Obtaining a Small Business Subcontracting Plan from the subrecipient if a subaward is on a federal contract incorporating the Small Business Subcontracting Plan requirement, the amount of the subaward is \$700,000 or more (\$1.5M for construction) AND the subrecipient is not a small business.

SPS has the responsibility, throughout the life of the award, to monitor the activities of subrecipients in accordance with the subaward, to ensure that awarded funds are used for authorized purposes, and to remain in compliance with the prime sponsor terms and conditions. A number of questions that should be asked continuously during the life of the subaward are:

- Do invoices reflect allowable, allocable and reasonable costs?
- Are funds being spent according to the approved budget?
- Is committed cost sharing verified?

### **Risk Monitoring**

The level of risk assigned to the subrecipient determines the intensity of the monitoring recommended for the subaward, in addition to the prime sponsor terms and conditions. Some subrecipients are considered more of a risk to the University than others. Some of the following are attributes that may place a potential subrecipient into a higher risk category:

1. Findings on their most recent A-133 audit report that relate to sponsored program activity
2. The subrecipient does not have an annual A-133 audit
3. The subrecipient is a foundation or corporation
4. The entity has a history of non-compliance
5. A qualified audit report, or failure to have a current audit report
6. A known history of non-performance

7. A small company new to receiving sponsored program funds
8. A foreign entity
9. Percentage passed through
10. Program complexity

In these cases, SPS will appropriately flag this on the Subrecipient Tab so that contracting may insert additional terms and conditions into the subagreement to assist in managing the risk to the University.

PIs are responsible for monitoring the progress of the subrecipient's performance in accordance with the scope of work. The PI may receive formal or informal progress reports by phone, email, site visits, or formal technical reports submitted on a basis determined by the PI and/or prime sponsor terms. All reports that are submitted must be maintained in accordance with record retention requirements for audit purposes.

At least annually, SPS will collect updated information and documentation on subrecipients' financial processes and controls, through either obtaining the Single Audit or an annual financial statement when the subrecipient is excluded from the Single Audit requirements. In addition, SPS may perform desk audits of a sample of sub-invoices, site visits to review processes, systems and controls, or other procedures that are deemed appropriate.

If it has been determined that there has been an unfavorable audit report from a subrecipient, the appropriate Post Award Research Manager will confirm that the subrecipient has provided sufficient documentation and has taken appropriate and timely corrective action. If there isn't sufficient documentation, a request will be made to the subrecipient to provide additional documentation.

### **Subaward Closeout**

An integral part of subcontract monitoring is close-out of the subcontract at the end of the project period. This is the point at which final determination is made by the PI and SPS that the subcontractor has fulfilled all of its responsibilities under the subcontract. In general, a subcontract is closed when all deliverables have been met and the final payment has been made.

The PIs, in collaboration with business offices and SPS, should begin subcontractor closeout review at least 60 days prior to the conclusion of the subcontractor period of performance. This will allow adequate time for the department and PI to make any budgetary actions or requests for extensions to the sponsor, if necessary. Generally, subcontracts should be processed for closeout and formally closed within 60 days following the subcontract end date. Depending on the prime funding source, closeout may be required sooner.

The PI is responsible for obtaining technical/progress reports and patent invention documentation from the subrecipient. SPS is responsible for obtaining any equipment reports, the final invoice, and the final financial report from the subrecipient. Once SPS approves the final invoice, they will route the invoice to the appropriate business office. The business office will coordinate with the PI to verify all deliverables have been met by the subrecipient and that the final payment is okay to be released.

Final certification of technical completion by the subrecipient is indicated by the PI's certification on the final invoice. The PI and business office representatives should not forward the final subcontract invoice for payment until all required deliverables have been received.

The PI/Department will be directed to contact SPS for assistance if any subrecipient has not provided the required deliverables. SPS will also be able to assist in securing information and invoices from subrecipients who have failed to meet their obligations under their respective subagreements. However, timely notification to SPS is essential to help ensure a successful and collegial resolution.