

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.

Subrecipient: A non-Federal entity that expends Federal awards from a pass-through entity to carry out a Federal 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

Vendor: 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 vendor:

- 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

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:

- Verify the subrecipients and Sub-Principal Investigator (PI) have not been debarred or suspended from receiving federal funds at <https://www.sam.gov/portal/public/SAM/>. If debarred contact your center manager.
- Verify the Subrecipient or sponsor is not on the risk assessment log. If yes notate status on the route sheet
S:\bs\common\users\SPS\ACCTMGT\MGMTAREA\AsstDir\A-133 Audits\Risk Assessment Log.xlsx
- Make project role determination if applicant is a [subrecipient or vendor](#). If vendor role, subrecipients information request will not be required.
- Obtain all subrecipient(s) contact information (PI and SPS 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](#) 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.
- 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 or the subaward amount is large
 8. A foreign entity

Post-Award will maintain the Risk Assessment Log that includes entities with A-133 findings or have been written off for non-payment.

- Prepare the [Cost Analysis Worksheet](#). 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 is a type of agreement that can be used for certain subrecipients of federal projects
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 OVPR Research Regulatory Compliance team or communicating with the Subrecipient.
5. Stimulus should be marked yes if the prime award was funded with American Recovery and Reinvestment Act (ARRA) funds. This will be indicated in the prime award document
6. 'High-Risk' should be marked yes if the subrecipient falls into one of the following indicators:
 - Findings on their most recent A-133 audit report that relate to sponsored program activity
 - The subrecipient does not have an annual A-133 audit.
 - The subrecipient is a foundation or corporation
 - The subrecipient is a foreign entity
 - The entity has a history of non-compliance

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 Central Contractor Registration (CCR) in order to receive Federal funding. Registration and status is through the [System for Award Management \(SAM\)](#).

When the subaward amount is \$25,000 or larger, it is required that SPS Pre-Award forward the [FFATA form](#) to the subrecipient to obtain the necessary information 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)
- CCR 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 amendment. It is the duty of the appropriate SPS staff member to submit and update the required FFATA information in the FSRS website.

Any **grants** that have been funded through stimulus money are not required to report on the FSRS website. Any **contracts** that have been funded with stimulus money ARE required to report both through FederalReporting.gov and 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 prepares the [Cost Analysis Worksheet](#) to send to the contract analyst. This worksheet 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 according to the terms and conditions of the primary award.

SPS will provide the attached [invoice template](#) to the subrecipient as part of the subagreement. This ensures that SPS receives the correct information from the subrecipient in order to process the sub invoices in a timely manner.

Contracting will send two originals of the subaward to the subrecipient or one PDF of the document as required for signature by an authorized institutional official. Subrecipients are requested to return both copies of the signed subaward or a partially-executed PDF of the document, along with other supporting documents as needed (e.g., audit certification, subrecipient questionnaire), to the Contract Analyst. After the subaward has been fully executed, the Contracting area will forward a fully-executed subaward to the subrecipient and a copy to the Post-Award Account Manager. The Post-Award Account Manager will forward a copy of the subaward to the business office and to the ARRA stimulus Account Manager, if applicable.

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. The SPS Account Manager will complete the [Subcontract Route Sheet](#), attach necessary documents then contracting. The amendment is completed by the SPS Account Manager, initialed, and routed to contracting for review and signature along with the Subcontract Route Sheet.

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, 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). They are responsible for reviewing each invoice to ensure sponsor terms and conditions, specified in the award, are being followed. The expectation is that SPS will review the invoice within 48 hours of receipt. If an invoice is recommended for reimbursement, the SPS staff member will forward the invoice with a direct invoice voucher (DIV), to the PI and Business Manager 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. Once the PI and business office have signed the DIV, the business office sends to Accounts Payable for reimbursement. Accounts Payable will send the check to SPS, where the appropriate staff member will send the check, along with a copy of the invoice, to the subawardee.

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 accumulated totals are provided and coincide with the approved budget.
- 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
- Invoice is certified

Invoice Issues

If, during the review of an invoice, it is determined that there is a concern, SPS will contact the subrecipient for either clarification or additional documentation. SPS 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

The PI is responsible for:

- Verifying that work performed by the subrecipient is being completed and is acceptable
- 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

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
- Requiring a copy of the federally approved Indirect Cost Rate. If necessary, do a Non-Disclosure Agreement.
- Ensuring that non-profit subrecipients who expend \$500,000 or more in federal awards during a subrecipient's fiscal year have met the audit requirements of the OMB Circular A-133
- 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 <https://www.sam.gov/portal/public/SAM/>. 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 OVPR 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 \$500,000 or more 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?

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:

- Findings on their most recent A-133 audit report that relate to sponsored program activity
- The subrecipient does not have an annual A-133 audit
- The subrecipient is a foundation or corporation
- The entity has a history of non-compliance
- A qualified audit report, or failure to have a current audit report
- A known history of non-performance
- A small company new to receiving sponsored program funds or the subaward amount is large

In these cases, SPS will flag this appropriately on the [Cost Analysis Worksheet](#) 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 A-133 or an annual financial statement when the subrecipient is excluded from A-133 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 SPS Account Manager will complete the [Audit Findings Review Checklist](#) to 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 verification of technical completion by the subrecipient is indicated by the PI's signature and date 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.