



## Eastern Kentucky University Policy and Regulation Library

### 4.4.9

Volume 4, Academic Affairs  
Chapter 4, Academic Research and Sponsored  
Projects

Section 9, Subrecipient Monitoring

**Approval Authority:** Board of Regents

**Responsible Executives:** Associate Vice President for  
Research, Vice President for Finance

**Responsible Office(s):** Sponsored Programs,  
Sponsored Programs Accounting

**Effective:** October 22, 2015

**Last Revised:** October 22, 2015

**Issued:** January 26, 2009

**Next Review Date:**

## Subrecipient Monitoring

### Policy Statement

This policy sets forth conditions for review, approval, and monitoring of subrecipients on sponsored programs administered through Eastern Kentucky University. The policy also outlines the responsibilities of the project director in assuring both programmatic and fiscal compliance of subrecipients to the terms and conditions established by the sponsoring agency.

This policy seeks to:

- promote stewardship of funds used to pay subrecipient organizations;
- promote appropriate responsibility and accountability for contractual subrecipient relationships;
- promote compliance with federal, state, University, and other legal requirements related to subrecipient monitoring; and
- ensure that the University and its sponsors receive value for funds expended.

### Entities Affected

- Departments
- Colleges
- Units involved with externally-sponsored projects

### Background

As a condition of its acceptance of funding from sponsors, the University is obligated in its role as primary recipient to undertake certain stewardship activities as well as comply with federal,

state, and local regulations. As part of this obligation, the University is responsible for monitoring the programmatic and financial performance of its sponsored project award subrecipients.

## Criteria

As required by OMB Circular 2 CFR 200, all subawards issued by the University shall provide the best information available to describe the award.

The University is obligated to advise subrecipients of requirements that are imposed on them by federal laws, regulations, and the provisions of the sponsored project award document. Subrecipients are required to permit the University and its auditors to have access to records and financial statements pertaining to the subaward.

Except in unusual cases, subrecipients must be identified in the proposal submitted to the sponsoring agency. Following the execution of subawards, the University is required to monitor the subrecipient's activities to ensure that activities are conducted in compliance with regulations and that performance goals are achieved. In general, when a significant percentage of an award is passed through the University to a subrecipient, more intense monitoring is necessary. Regular communication with the subrecipient is required.

The University shall monitor subrecipients to ensure compliance with audit requirements. If audit findings are revealed, the University shall issue a management decision within sixty days following the receipt of the subrecipient's audit report and confirm that the subrecipient has taken appropriate corrective actions in a timely manner. If the subrecipient's corrective action plan is not submitted to the University within thirty days, the subrecipient will receive a follow-up phone call or email from Sponsored Programs. If the corrective action plan is not received by the end of sixty days, a letter will be sent from the Associate Vice President for Research. After ninety days, a letter will be sent from University Counsel to inform the subrecipient that failure to respond may result in the termination of the subaward.

If the subrecipient's audit findings necessitate adjustments in the University's financial records, such adjustments shall be made in a timely manner.

## Procedures

### **Subrecipient/Vendor Determination**

Sponsored Programs shall determine classification of subrecipients. This determination is made in collaboration with the project director and is based on the criteria established in the Subrecipient/ Vendor Determination Checklist.

### **Risk Assessment**

Sponsored Programs shall assess the risk level of each Subrecipient prior to the issuance of a subaward. The risk assessment will include factors such as the dollar value of the subaward, the subaward's percentage of the prime award, the type of subrecipient, the history of the subrecipient's existence, the subrecipient's relationship with the University, the Subrecipient's experience with managing federal funds, the complexity of the project activities, and the inclusion of third-tier subrecipients. The subaward document will include additional reporting and compliance requirements for subrecipients determined to be high risk.

### **Audit Certifications**

1. Non-profit subrecipients who expended \$750,000 or more in federal funds during the previous fiscal year are required to have an A-133 audit on an annual basis or may elect to have a program-specific audit. Sponsored Programs shall request annual audit certifications from all subrecipients. This certification requires that subrecipients certify that their audits revealed no questionable findings or provide a detailed disclosure of findings.
2. Subrecipients who are not subject to audit requirements shall complete a financial disclosure and shall be required to submit in a program specific audit, performed by an independent external entity, upon request by the University.
3. If audit findings are revealed, Sponsored Programs shall issue a management decision within sixty days of notification and shall provide additional monitoring to ensure that timely and appropriate corrective actions are taken in response to audit findings.
4. Internal Audit shall provide assistance with issuing management decisions and ensuring that appropriate corrective actions are taken.

### **Subaward Changes**

1. Subrecipients are required to notify the University and obtain prior written approval from the Director of Sponsored Programs for any changes that may materially alter the terms of the subaward. Examples include, but are not limited to, changes in the period of performance, scope of work, or budget.
2. The project director shall work with the subrecipient to ensure that any changes that may materially alter the terms of the subaward are immediately reported to Sponsored Programs for approval.
3. Sponsored Programs shall provide approval in a timely manner; in most cases, a formal subaward amendment will be required.

### **Third-Tier Subcontractors**

1. When subrecipient budgets include funds for contractual purposes, the project director shall work with the subrecipient to facilitate the timely provision of required documentation to Sponsored Programs.
2. Sponsored Programs shall review third-tier subcontractors included in subaward budgets, request identification of the entity by name, request justification for how the entity was selected (i.e., evidence of competitive bid process or sole source justification), and provide the subrecipient with written approval prior to the subrecipient entering into a contractual relationship with a third-tier subcontractor.

3. Sponsored Programs shall request any additional documentation from the subrecipient needed to make an informed decision about the approval of third-tier subcontractors.

### **Contract Review**

The Office of University Counsel shall review all subawards with variations from the approved subaward template. University Counsel shall work with the project director and Sponsored Programs to negotiate changes to proposed subawards prior to their execution.

### **Communication with Subrecipient**

The project director shall maintain sufficient contact with the subrecipient to assess accurately whether the subrecipient is adequately performing the statement of work and reasonably progressing towards the achievement of the performance goals.

### **Review of Technical Performance Reports**

The project director shall obtain periodic written performance reports from the subrecipient. Such reports should generally contain a comparison of actual accomplishments with the goals and objectives established for the period.

### **Review of Financial Invoices**

1. Upon receipt of financial invoices, the project director shall review and assess whether the charges on the invoice reasonably match progress made on the project. If an invoice is believed to be inaccurate, project directors shall contact the subrecipient for clarification and request additional documentation before forwarding the invoice to Sponsored Programs Accounting for payment.
2. Prior to approving and issuing payments on subawards, Sponsored Programs Accounting shall review financial invoices for compliance with sponsor guidelines and the terms of the subaward.
3. Sponsored Programs Accounting shall work with the project director and subrecipient to secure any additional documentation needed to process invoice payments and shall withhold payment on invoices until such documentation is received.

### **Site Visits**

Depending on the scope of work and level of involvement from the subrecipient, site visits are often necessary to ensure an effective collaboration. The project director shall arrange and maintain documentation for such visits.

## **Definitions**

- **Subrecipient:** The legal entity to which a subaward is made and which is accountable to the University for the use of the funds provided in carrying out a portion of the University's programmatic effort under a sponsored project. The term may include institutions of higher education, for-profit corporations, non-profit organizations, and

foreign or international organizations (such as agencies of the United Nations) at the discretion of the Federal awarding agency.

- **Subaward:** An award of financial support from a prime awardee (e.g., the University) to a qualified organization for the performance of a substantive portion of the program funded under the prime award. The term also includes awards made by a subrecipient to a lower tier subrecipient. It does not include procurement of goods and services funded by a prime award (i.e., vendors are not considered subrecipients).

## Responsibilities

- Internal Audit
  - Assist with issuing management decisions and ensure that appropriate corrective actions are taken
- Office of University Counsel
  - Review contracts involving external subawards
- Project Directors
  - Disclose any potential conflicts of interest with subrecipients
  - Maintain sufficient communication with Subrecipient
  - Review Technical Performance Reports
  - Review Financial Invoices to ensure expenses are consistent with the Scope of Work performed by the subrecipient and that the costs incurred are reasonable, allowable, and allocable to the project.
  - Visit site, when appropriate
  - Submit requests for Subaward Changes
  - Provide required documentation for Third-Tier Subrecipients, when applicable
- Sponsored Programs
  - Determine subrecipient/vendor classification
  - Conduct risk assessment of subrecipients
  - Request annual A-133 Certifications

- Approve Subaward Changes
- Approve Third-Tier Subcontractors
- Sponsored Programs Accounting
  - Review Financial Invoices for compliance with terms and conditions of the subaward

**Violations of the Policy**

Policy compliance is the joint responsibility of all involved. If non-compliance issues are identified by the Office of Graduate Education and Research, corrective action may be necessary and shall be completed following consultation with the Principal Investigator, respective Dean, Department Chair, and/or Financial Manager. Corrective action may include, but is not limited to, movement of unallowable or inappropriate charges from grant accounts to departmental, college, or other university accounts, suspension of grant accounts, and/or withdrawal of a proposal or award. Any actions deemed necessary in response to policy non-compliance may be appealed to the Provost and/or Executive Vice President for Administration.

**Interpreting Authority**

Associate Vice President for Research

**Policy Adoption Review and Approval**

**Revised Policy**

<u>DATE</u>	<u>ENTITY</u>	<u>ACTION</u>
October 22, 2015	Vice Provost	Editorial Revision

**Policy Issued**

<u>DATE</u>	<u>ENTITY</u>	<u>ACTION</u>
January 26, 2009	Board of Regents	Adopted
December 19, 2008	President Whitlock	Approved
October 6, 2008	Faculty Senate	Approved