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GrantSubrecipient Monitoring

Policy Contents

- I. Reason for this Policy.....1
- II. Statement of Policy1
- III. Definitions.....1
- IV. Procedures2
- V. Related Documents, Forms and Tools.....5

I. REASON FOR THIS POLICY

To assist University of South Dakota (USD) faculty and staff in the administration of subrecipient agreements issued under sponsored projects; assure compliance with federal, state, and local regulations by outlining required procedures for proper monitoring of all subawards issued by USD; and define the proper roles and responsibilities for monitoring subrecipients.

II. STATEMENT OF POLICY

As a recipient of sponsored projects, USD must comply with the guidelines outlined in the various federal, state, and local regulations. USD is responsible for the financial monitoring of sponsored project funds awarded to USD that are subcontracted to another institution, organization, or individual (sub-recipient). In order to carry out the monitoring required by these regulations and to ensure that performance goals are completed in accordance with the subaward agreement, USD must perform the procedures outlined in this policy.

III. DEFINITIONS

PRINCIPAL INVESTIGATOR (PI) – The individual responsible for the development, writing, and conduct of a sponsored award, who also has primary responsibility for the technical and fiscal management of the award.

OMB CIRCULAR A-133 – Issued by the Office of Management and Budget pursuant to the Single Audit Act of 1984. It sets forth standards for obtaining consistency and uniformity among Federal agencies for the audit of States, local governments, and non-profit organizations expending Federal awards.

SUBAWARD – Award of financial assistance from a prime awardee to a qualified organization, for the performance of a substantive portion of the programmatic effort under a sponsored project.

SUBRECIPIENT – A non-USD entity that expends awards received from USD to carry out a portion of USD’s programmatic effort under a sponsored project.

IV. PROCEDURES

PRE AWARD

An assessment will be performed by the Office of Research prior to the execution of a subaward agreement in order to determine whether the organization is a high-risk entity. A subrecipient risk assessment may take into account several factors, including but not limited to:

- Whether the potential subrecipient is subject to an A-133 audit or other federal financial review
- Degree of external oversight by auditors or sponsor agencies
- Evidence of effective financial controls within the subrecipient’s systems and administrative operations through review of the organization's audit reports, management letter, or other acceptable documentation
- Size of the subrecipient
- Size of the subrecipient award
- Award complexity, sensitivity of the work, and/or extensiveness of the governing regulations
- Prior experience with the subrecipient (e.g. Pre-award negotiations, financial/operational reporting accuracy and timeliness, response to requests, etc.)
- Subrecipient location (i.e., remoteness from the University might require more oversight)
- Type of subrecipient organization (for-profit, not-for-profit, small business, corporation, foreign, domestic, etc.)
- Organizational and individual conflict of interest
- Confirmation that the subrecipient is not listed on the Excluded Parties List System

Depending on the level of risk as determined during the review, the subcontract will be:

1. Awarded pursuant to USD policies
2. Awarded pursuant to USD policies with conditions attached
3. Not awarded

In cases where subcontracts are not awarded, the Principal Investigator for the primary award will be notified of the decision.

POST AWARD

Throughout the life of a subaward agreement, certain monitoring procedures must be carried out in order to provide reasonable assurance that the subrecipient is complying with Federal and/or State regulations. At the time that a subaward is issued, the USD Grants Office, together with the Principal Investigator, should create a monitoring plan that will be carried out throughout the term of the agreement. This monitoring plan should be developed based directly upon the risk assessment completed for that particular subrecipient as certain subrecipients may require closer scrutiny in light of these considerations. A written copy of the plan should be maintained in the grant file. Some of the items to consider include:

- Award complexity, sensitivity of the work and/or extensiveness of the governing regulations.
- Percentage passed through: the larger the percentage of program award passed through, the greater the need for subrecipient monitoring.
- 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 total budget.
- 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.
- Degree of external oversight by auditors or sponsoring agencies. Departments are obligated to monitor subrecipients of its federal awards, regardless of the subrecipients being subject to A-133 audits.
- Sophistication of the subrecipient's systems and administrative operations.

Upon identification of subrecipients that mandate closer scrutiny, based on the above review criteria, departments must take appropriate monitoring actions to ensure compliance with subagreement performance, financial terms and conditions, and all applicable federal rules and regulations. A summary of the items discussed above and general guidelines for determining the level of risk of a subrecipient can be found in the table below:

Low	Medium	High
Simple Program (e.g. R03)	Basic Program (e.g. R01)	Complex Program (e.g. Center Grant)
Low % of Awards Passed Through Sub recipient	Standard % of Awards Passed Through Sub recipient	High % of Awards Passed Through Sub recipient
Small Award	Standard Award	Large Award
Long History with Sub recipient	Some History with Sub recipient	No History with Sub recipient
No Compliance Problems	Responsive to Minor Compliance Issues	Known History of Compliance Problems

Low Risk Subrecipients

At a minimum in cases where a subrecipient is determined to be low risk, the following procedures are required:

1. A Subrecipient Questionnaire must be received from the subrecipient on an annual basis. In cases where issues are identified on the questionnaire, follow up must be performed.
2. Receive invoices and detailed receipts from subrecipients and obtain evidence of appropriate department/administrator review as well as approval of PI. USD Grants office should also ensure the amount invoiced is within the approved total cost of the subaward and costs have been incurred within the subaward period.
 - Any unusual, miscellaneous, unallowable, or excessive charges should be questioned and an explanation should be obtained from the subrecipient.
3. If an A133 audit is required for the subrecipient, ensure the audit has been completed via the Federal Audit Clearinghouse website (<http://harvester.census.gov/sac/>)
 - If issues were identified during the audit, the subrecipient cannot be considered low risk and additional monitoring procedures must be performed as described below

Medium and High Risk Subrecipients

In cases where a subrecipient is considered medium or high risk, additional procedures must be developed and carried out during the subaward term, which may include, but are not limited to, the following:

1. On-site monitoring visits (required for high risk subrecipients)
 - Purpose of these visits are to review financial records, observe operations, inspect facilities to ensure compliance with program requirements, and to interview staff
2. Request complete A-133 audit report from the subrecipient in order to determine severity of any deficiencies and whether or not they would directly impact the subaward
3. Perform periodic in-depth reviews of invoices received from the subrecipient by requesting detailed supporting documentation (e.g. detailed invoices, allocation calculations, payroll records, lease agreements, etc.)
4. Require formal technical reports describing the progress of the work

If there any other procedures that must be followed in addition to the items described above as required by the granting agency, those should be included in the subrecipient monitoring plan for that particular subaward. A link to the federal compliance supplements can be found in [Section V](#). of this document.

All evidence of subrecipient monitoring must be maintained in the grant file.

V. RELATED DOCUMENTS, FORMS AND TOOLS

OMB Circular A-133

<http://www.whitehouse.gov/sites/default/files/omb/circulars/a133/a133.pdf>

OMB Circular A-133 Compliance Supplement

http://www.whitehouse.gov/omb/circulars/a133_compliance_supplement_2011