

Policy 50.8: Sub-Recipient Monitoring

<i>Effective Date:</i>	July 1, 2012
<i>Last Updated:</i>	June 30, 2012
<i>Responsible Office:</i>	Office of Grants & Contracts Administration (GCA)
<i>Contact:</i>	Manager of Compliance and Control

Reason for Policy

[OMB Circular A-133](#) requires that recipients of federal awards ensure that sub-recipients who expend \$500,000 or more per year comply with the A-133 audit.

Policy Statement

The University representative will monitor sub-recipients who expend \$500,000 or more per year of federal awards to ensure that they comply with the audit requirements of [OMB Circular A-133](#). The University will flow down to sub-recipients all financial and administrative regulations governing the management of federal grants and contracts. These terms and conditions will be part of a sub-recipient agreement, signed by authorized officials of both institutions. Compliance with the terms and conditions of such agreements will be monitored during the life of the agreement.

When a principal investigator has an interest in or a relationship with the sub-recipient entity, it must be disclosed and, where appropriate, managed by the University's Conflict of Interest Committee.

Procedures

The University representative performs the following stewardship activities with regard to sub-recipients of its sponsored awards:

- Before a subcontract is issued under a federal award, the University obtains a copy of the proposed subcontractor's most recent A-133 audit report and any relevant management response and corrective action plan, if applicable and available. Subcontractors who do not have A-133 audits available (such as for-profit entities) will be required to provide a copy of an audit or review performed by an independent certified public accountant and a Dunn & Bradstreet ID number.
- The Conflict of Interest Committee will identify and recommend the means to eliminate or manage any conflict of interest arising from a proposed subcontract by the University to an entity in which the University or a faculty member has a financial interest or fiduciary relationship.
- The University will advise sub-recipients of requirements (including, but not limited to, financial and non-financial reporting) imposed on them by federal laws, regulations of the

flow-down provisions of the prime contract or grant agreement and any supplemental requirements imposed by the University dependent on level of risk.

- The University shall provide the best information available to describe a federal award to each sub-recipient including the Catalog of Federal Domestic Assistance (CFDA) title and number, award name and number, award year, the type of award, and the name of the federal sponsor as required by OMB Circular A-133.
- The University will monitor the costs and activities of sub-recipients as appropriate, to confirm that funding provided to the sub-recipient is used for purposes authorized in the negotiated agreement and that performance goals (scope of work or specific aims) articulated in the scope of work are achieved.
- The University will require each sub-recipient to permit the sponsor and/or the University and its auditors to have access to the sub-recipient's pertinent records and financial statements, as necessary. Where it is not possible to obtain this access, alternate solutions may be devised but generally would require the approval of the primary sponsor.
- The University will ensure that all deliverables, including cost share, have been met prior to issuing payment to the sub-recipient.
- The Principal Investigator reviews and approves all payments to subcontractors for cost reasonableness and comparison to progress toward work accomplished (see RA Policy 50.6 - Financial Award Management).

OMB Circular A-133 requires that annual audits be completed within nine months of the end of the sub-recipient's audit period. To this end, certification letters requesting information about the sub-recipients' most recent completed fiscal year are prepared by GCA and distributed to all sub-recipients charging expenses to a sponsored awards in the prior fiscal year. The certification letters must be prepared and distributed annually by April 30 of each year.

Follow-up requests are made to ensure that sub-recipients send reports. Should no response to the certification letter be received within 45 days, a second letter is sent. Should no response to the second letter be received by within 30 days, the sub-recipient is contacted by telephone.

If reports are not received, the Federal Audit Clearinghouse (FAC) Internet data dissemination system will be used to retrieve audit report information from the FAC database. This information will be reviewed to determine if an organization has any reportable conditions and/or audit finding required to be reported under OMB Circular A-133, subpart E, section .510(a).

Should attempts continue to be unsuccessful, the Vice Chancellor for Research and Economic Development, in conjunction with the Executive Director of GCA, will consider sanctions against the sub-recipient, including termination of the subcontract.

Upon receipt of an unfavorable audit report from a sub-recipient, the University will confirm that the sub-recipient has taken appropriate and timely corrective action. If a material weakness or other reportable condition exists, monitoring of the sub-recipient will be more frequent and management actions will be taken as appropriate.

Exclusions/Exceptions

None.

Failure to Comply

Penalties for noncompliance include adverse audit findings, financial liabilities on current and past awards, and loss of eligibility to receive future awards.

Related Information

[OMB Circular A-133](#)

[2 CFR 215 \(OMB Circular A-110\)](#)

[RA Policy 50.6 Financial Award Management](#)

[Campus Conflict of Interest policy](#)