

# University of Missouri System

## Accounting Policies and Procedures



**Policy Number:** APM-60.85

**Policy Name:** Subrecipient Monitoring Procedures

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### General Policy and Procedure Overview:

The University of Missouri (the University) issues subawards to subrecipients to augment the University's core capabilities. Administration of these subawards is specifically addressed in Office of Management and Budget (OMB) 2 C.F.R. 200 titled Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Specific monitoring requirements of the subrecipients are contained in [Subpart D](#) of the Uniform Guidance and the accompanying [Compliance Supplement](#).

The University is responsible for financial and programmatic monitoring of federally sponsored project funds awarded to the University that are subcontracted to another institution or organization (subrecipient). To provide the monitoring required by federal regulations and to ensure good stewardship of sponsored projects, the University may use reporting, site visits, regular contact, or other means to provide reasonable assurance that the subrecipient administers awards in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved.

### Definition of Key Terms:

**CFDA Number:** The Catalog of Federal Domestic Assistance ([CFDA](#)) Number. Each federally funded assistance program is assigned a unique five digit number. The first two digits identify the agency and the last three digits identify the program.

**Excluded Parties List System (EPLS):** The federal government website (<https://www.sam.gov/>) that lists all organizations that are barred from receiving federal funds.

**Harvester:** The Federal Audit Clearinghouse website (<http://harvester.census.gov/sac/>) that contains data pertaining to audit reports for entities subject to A-133 audits.

**Subaward:** An agreement entered into by the University and another entity in which the University agrees to fund the entity to conduct a portion of the tasks required to complete the scope of work within a prime award received by the University. The subaward document identifies all terms and conditions of the agreement.

**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.

## **Detail Policy and Procedure:**

Subrecipient monitoring starts with the preparation and issuance of the subaward document, continues through the execution of the subaward and ends after all conditions of the subaward have been met and the subaward is closed.

### **Subrecipient and Contractor Determinations**

The University may concurrently receive Federal awards as a recipient, a subrecipient, and a contractor, depending on the substance of its agreements with Federal awarding agencies and pass-through entities. Therefore, the University is required to make case-by-case determinations whether each agreement it makes for the disbursement of Federal program funds casts the party receiving the funds in the role of a subrecipient or a contractor.

(a) Subrecipients. Characteristics which support the classification of the non-Federal entity as a subrecipient include when the subrecipient:

- (1) Determines who is eligible to receive what Federal assistance;
- (2) Has its performance measured in relation to whether objectives of a Federal program were met;
- (3) Has responsibility for programmatic decision making;
- (4) Is responsible for adherence to applicable Federal program requirements specified in the Federal award; and
- (5) In accordance with its agreement, uses the Federal funds to carry out a program for a public purpose specified in authorizing statute, as opposed to providing goods or services for the benefit of the pass-through entity.

(b) Contractors. Characteristics indicative of a procurement relationship between the University and a contractor are when the contractor:

- (1) Provides the goods and services within normal business operations;
- (2) Provides similar goods or services to many different purchasers;
- (3) Normally operates in a competitive environment;
- (4) Provides goods or services that are ancillary to the operation of the Federal program; and
- (5) Is not subject to compliance requirements of the Federal program as a result of the agreement, though similar requirements may apply for other reasons.

All of the characteristics listed above may not be present in all cases, and the University must use judgment in classifying each agreement as a subaward or a procurement contract.

When documentation of the classification is required, the Subrecipient and Vendor Determination Checklist for Sponsored Projects should be completed and maintained by the department

### **Subrecipient Monitoring Requirements**

The University will use the following procedures to monitor subrecipient compliance:

#### **Pre Award Review**

The University is responsible for ensuring that every Subaward is clearly identified to the subrecipient as a Subaward and includes required data elements including, but not limited to, the CFDA number, prime award number, federal agency issuing the prime award, identification of whether the award is R&D, the indirect rate of the federal award, and all applicable compliance requirements. (See the full list of data elements in the Uniform Guidance Subpart D §200.331)

Additional requirements that the University imposes on the subrecipient in order to meet its own responsibility to the Federal awarding agency including identification of any required financial and performance reports, should be included in the subaward agreement. Each campus in the University system uses a standard subaward document template. Changes to the template must be approved by the Controller's Office prior to use.

The University is required to pay the 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 University and the subrecipient, or a de minimis indirect cost rate of 10%. Subrecipients may decline F&A reimbursement, but the University may not coerce them to accept a lower rate than that to which they are entitled. If the rate used is lower than the rate to which the subrecipient was entitled, documentation that such a rate was agreed to voluntarily by the subrecipient is required.

Before executing subawards:

- The Sponsored Programs Office (SPO) will perform and document an EPLS check to ensure the potential subrecipient is not suspended or debarred.
- The Controller's Office will perform a review and risk assessment for all subrecipients that are federally funded (which includes direct and flow-through awards). This process will take into account the following factors:
  - If the subrecipient is subject to an A-133 audit – review the Federal Audit Clearinghouse (<http://harvester.census.gov/sac/>) to determine if the audit report is up to date and if any findings were noted.
  - Size of the subrecipient
  - Amount of the subrecipient award
  - Award size relative to the subrecipient's sponsored activity
  - Percentage of award passed through to subrecipient
  - Prior experience with the subrecipient
  - Award complexity or access to sensitive or classified data

If there is a high level of risk associated with the subrecipient, SPO, in consultation with the Controller's Office, will ensure the appropriate risk mitigation steps are taken and the necessary language is included in the subaward.

Fixed amount subawards (which includes fixed price and fixed rate subawards) can only be entered into with prior written approval from the Federal agency. Other requirements for fixed amount subawards per the Uniform Guidance §200.201 and §200.332 include:

1. A fixed amount award cannot be used in programs which require mandatory cost sharing or match.
2. The total dollar amount of the fixed price Subaward may not exceed the Simplified Acquisition Threshold, currently \$150,000.
3. The Subrecipient **must** certify in writing at the end of the Federal award that the project or activity was completed or the level of effort was expended. If the required level of activity or effort was not carried out, the amount of the Federal award must be adjusted.

It is acceptable to issue more than one fixed amount subaward to the same subrecipient if its total cost under the project exceed \$150,000, or the agency can be consulted for guidance. If more than one fixed amount subaward is issued to the subrecipient, separate statements of work and deliverables for each subaward should be created to stay within the \$150,000 threshold.

### **Post Award Subrecipient Monitoring**

Principal Investigators (PIs) are responsible for monitoring periodic progress reports to ensure that performance goals are achieved. PIs and SPO are responsible for monitoring invoices to ensure that they are reflective of progress and, to the extent possible, that the subrecipient is administering the Federal awards in compliance with laws, regulations, and the provisions of the subcontract agreements. Non-compliance with technical reporting requirements or dissatisfaction with the level of subrecipient progress should be reported immediately to SPO.

Both SPO and the PI perform a review of all subrecipient invoices prior to approval and payment. SPO reviews the invoice to verify expenses were incurred during the period of performance of the subaward and a balance is available to cover the invoice amount. The PI or their delegate will then review the invoice and confirm to SPO stating the invoice is approved for payment. If an approval cannot be made or there are issues with the invoice, the PI or their delegate should inform SPO so appropriate follow-up and action can be taken with the subrecipient.

Prior to payment of the approved invoice, SPO must perform and document an EPLS check to ensure the Subrecipient is not suspended or debarred at the time of payment.

### **Annual Subrecipient Monitoring**

The Controller's Office will perform preliminary risk assessments upon request of the SPO prior to execution of the federally funded subawards to identify high risk subrecipients. For those subrecipients determined to be higher risk, additional monitoring activities will be

determined by the Controller's Office at the time the risk assessment is completed and communicated to the SPO offices for inclusion in the subcontract if necessary.

On an annual basis, the Controller's Office will obtain copies of the subrecipient's OMB A-133 audit report and/or Harvester's Report and send a certification letter and questionnaire to all active subrecipients receiving federal funding during the prior fiscal year and perform a risk assessment based on the review of the documentation received. Upon receipt of an audit report with findings related to funding provided by the University or material findings related to the subrecipient's internal controls, the Controller's Office will follow-up to ensure the appropriate corrective actions have been taken by the subrecipient.

## **Responsibility**

### **Sponsored Programs Office**

- Check for current subrecipient monitoring prior to executing the subaward. If current monitoring is not available or up to date, the most recent audit report and completed confirmation and questionnaires (Appendix 1 & 2) must be obtained from the subrecipient.
- Request preliminary risk assessment from the Controller's Office if current risk assessment is not on file.
- Conduct and document an EPLS check prior to issuing the subaward.
- Review invoices against subaward budget to ensure expenses are within budget
- Ensure invoices cover activities incurred within the period of availability of funds
- Obtain PI review of invoices and approval to pay
- Obtain PI certification of receipt and review of required technical/programmatic reports
- Document EPLS check prior to payment of invoice ensuring subrecipient is not debarred or suspended
- For fixed price subawards, ensure the subrecipient submits a certification in writing at the end of the Federal award that the project or activity was completed or the level of effort was expended.

### **Principal Investigators**

- Review invoices and approve for payment
- Review and approve technical/programmatic reports, when applicable
- Monitor the activities of the subrecipient to ensure timely receipt of acceptable deliverables

### **Controller's Office**

- Receive and maintain all subrecipient questionnaires and audit reports
- Conduct subrecipient audit report and questionnaire reviews
- Prepare annual risk assessments using audit reports, Harvester data, questionnaires and confirmation letters
- Issue management decisions when applicable

*Effective Date: July 1, 2006*

*Revised Date: December 26, 2014*

## **Questions and Comments?**

Any questions regarding the approved Accounting Policy and Procedure should be directed to the Controller's Office, 118 University Hall, Columbia MO 65211, phone 573-882-2411.