



TEXAS TECH UNIVERSITY HEALTH SCIENCES CENTER

Operating Policy and Procedure

HSC OP: 65.09, **Subrecipient Monitoring**

PURPOSE: The purpose of this Health Sciences Center Operating Policy and Procedure (HSC OP) is to satisfy the requirements of the Office of Management and Budget (OMB) 2 CFR Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), by establishing procedures for monitoring subrecipients and obtaining and acting on subrecipient audit reports and management letters.

REVIEW: This HSC OP will be reviewed on May 1 of each odd-numbered year (ONY) by the Directors of Accounting Services and Sponsored Programs, with recommendations for revisions forwarded to the Senior Vice President for Research and Innovation and the Executive Vice President of Finance and Operations by June 1.

POLICY/PROCEDURE:

As a prime recipient of external funds from federal sponsors, TTUHSC is required to monitor subrecipients in accordance with OMB 2 CFR 200. Further, as a prime recipient of external funds from federal, state, and other third-party sponsors, TTUHSC is governed by specific financial and administrative regulations regarding the management of grants and contracts. When TTUHSC assigns responsibility for conducting a portion of the work sponsored by an award to a subrecipient institution, these same regulations govern the subrecipient.

1. **Applicability.** This HSC OP applies to each subrecipient agreement/subaward which is funded directly or indirectly from an external sponsor or is used as cost sharing or matching for an externally funded project. Vendor/contractor agreements are not subject to this policy.

The Principal Investigator (PI) or other designated personnel should determine whether a subrecipient or vendor/contractor relationship exists between TTUHSC and a third party involved in the sponsored agreement by using the following criteria:

- A. A subrecipient is a third-party entity that receives a subaward agreement for the performance of a portion of the work statement covered by a prime agreement awarded to a pass-through entity (TTUHSC) that is funded either directly or indirectly with sponsored funds. Pursuant to that agreement, the third-party entity performs a portion of the work of TTUHSC's sponsored project. Subrecipient entities can be identified by criteria including, but not limited to, the following:
 - 1) Services provided by the third party are uniquely designed in response to individual projects and are not provided commercially.
 - 2) The third party can make programmatic decisions and participates in the development and the execution of the work performed.
 - 3) Services provided by the third party are measured against whether the objectives of the sponsored project have been met.
 - 4) The third-party's results are likely to be published in scientific literature and/or is likely to be a co-author on any publications for the project.

- B. A vendor/contractor is a distributor, merchant or other seller providing goods or services that are required in the execution of a sponsored project and can be identified with criteria including, but not limited to, the following:
- 1) The contractor provides goods or services as a normal part of their business operations.
 - 2) The contractor provides similar goods and services to many different purchasers.
 - 3) The contractor operates in a competitive environment.
 - 4) The contractor provides goods or services that are merely ancillary to the sponsored project.

2. Subrecipient Requirements.

- A. Subrecipients should be identified during the proposal stage of the sponsored project, prior to the proposal submission. However, a need may arise during the life of the project which requires a subaward which was not anticipated at the time of the proposal. These normally require approval from the sponsor prior to entering into the subaward agreement.
- 1) The Office of Sponsored Programs (OSP) should be contacted to determine if sponsor approval is required.
 - 2) After required information (i.e. subrecipient documentation, justification for the addition of a subrecipient, revised budget, revised budget justification, etc.) is obtained from the PI and proposed subrecipient, OSP will contact the sponsor, if required, to request permission to add the subrecipient to the funded project.
 - 3) Once the subaward is approved by the sponsor if applicable, OSP will issue the subaward agreement to the subrecipient. A copy of the fully executed subaward agreement will be provided to the PI(s) and Accounting Services.
 - 4) Additionally, once the subaward is executed, a new fund code should be established for the subaward, and when applicable, a budget revision should be submitted to reserve the dollar amount contracted out to the subrecipient by transferring the approved amount from the primary grant fund to the subaward fund.
- B. Agreements with subrecipients that meet the applicability test outlined in Section 1 above should include, but are not limited to, the following information related to the prime award:
- Assistance Listing Number and Title
 - Federal Award Identification Number (FAIN)
 - Federal Award Date
 - Federal Awarding Agency
 - Appropriate indirect cost rate if applicable

In addition, agreements with subrecipients that meet the applicability test outlined in Section 1 above must contain the following clauses, with paragraph 2) below applicable only to federally sponsored agreements:

- 1) **Records Inspection.** The accounting records and files of the subrecipient which are applicable to this subaward agreement shall at all times be available for inspection, review, and audit by TTUHSC and its representatives to determine the proper application and use of all funds paid to the subrecipient.

2) **Audits.** The subrecipient agrees to submit to TTUHSC the following:

- a. Copies of or a link to the OMB 2 CFR 200 audit report(s) covering the subaward period(s);
- b. Copies of any management letters that relate to compliance with federal laws and regulations; and
- c. Within six months after the issuance of the audit report, a notice of corrective actions taken as a result of non-compliance with federal laws and regulations cited in the audit report or management letter.

All submissions must be forwarded as soon as possible following the close of each budget period of the subaward. In the event that the submissions cannot be made within 12 months following the close of a budget period, the subrecipient must notify TTUHSC in writing of the anticipated date of submission. The submission must be within 18 months after the end of the budget period, unless approved by the subrecipient's appropriate federal agency. All submissions required under this article should be submitted to the following address:

Texas Tech University Health Sciences Center
Office of Accounting Services
Grants Supervisor
3601 4th Street, STOP 6274
Lubbock, Texas 79430

- C. The Office of Sponsored Programs is responsible for ensuring that the above information is included in each applicable subrecipient agreement, as well as any other OMB 2 CFR 200 requirements or supplemental TTUHSC requirements imposed on the subrecipient. On rare occasions, the Contracting Office will draft subcontract agreements with third-party institutions that meet the criteria of a subrecipient entity. In those instances, the Contracting Office is responsible for ensuring that these clauses are inserted into the related agreements.

3. **Responsibilities.**

- A. *PI or Other Designated Departmental Personnel:* In addition to any requirements stated above, the PI or their designated personnel are responsible for the following:
 - 1) Completion of the Subrecipient vs. Contractor Checklist (Attachment B). This form should be completed at the time of application and submitted to OSP along with the grant application.
 - 2) Routine receipt and timely review of Technical Performance Reports, Financial Reports and/or other reports required by the subrecipient agreement including the identification of any unusual or unforeseen items. Such items, if present, should be investigated and reports should be retained on file in the department for inspection by appropriate internal or external personnel. All such items as well as any inspection requests should be reported to the Office of Sponsored Programs.
 - 3) Continual monitoring of subrecipient budgets and performance of work.

- 4) Comparison of subrecipient invoices to the established subrecipient budgets and assigned work for the project. Evidence of the regular review of invoices should be kept on file. Sufficient evidence may include initials of the PI, or another appropriate personnel acknowledging a review has been completed. Inclusion of a signature authorization on invoices, e-mail or other communications, etc. also qualify as acceptance of items provided by the subrecipient.
- 5) Request and review of explanations for any unusual, miscellaneous, other or apparent excessive charges invoiced by the subrecipient. If explanations received are insufficient to satisfy documentation requirements, request should be made to the subrecipient for detailed justification. Unallowable, undocumented or unreasonable charges invoiced by the subrecipient should be disallowed.
- 6) Approval of all payments to subrecipients. The subrecipient invoice must be reviewed for reasonableness compared to the stage of the work contracted. PI and Fund Manager approval are required for subrecipient invoice payment. The invoice should be submitted to Accounting Services for review prior to payment processing. Scheduling and performance of periodic on-site visits or other regular contact with the subrecipient to ensure proper adherence to contractual obligations.
 - a. On-site visits by the PI are discretionary and should be conducted to evaluate compliance with the scientific objectives of the project as well as the appropriateness of the subrecipient's administrative systems, processes, and charges.
 - b. All contact should be documented via correspondence, meeting notes, trip reports, etc. and must be kept on file for the duration of the project or longer if required by document retention rules.
- 7) Notification of the Office of Sponsored Programs if the right-to-audit clause needs to be exercised for due cause.

B. Sponsored Programs: In addition to any requirements stated above, the Office of Sponsored Programs is responsible for the following:

- 1) Prior to issuing a subaward, the Office of Sponsored Programs (assisted by programmatic input from the PI, and financial input from Accounting Services) will assess and document the subrecipient's risk of noncompliance considering the following factors:
 - Prior experience with the subrecipient;
 - Subrecipient's previous audit results;
 - Subrecipient's direct federal funding and monitoring results;
 - Sophistication of the subrecipient's administrative systems and operations;
 - Subrecipient location and organization type;
 - Percentage of total award passed through: the larger the percentage of program awards passed through, the greater the need for subrecipient monitoring;
 - Subaward amount, complexity, sensitivity of the work and/or extensiveness of the governing regulations.
- 2) Verify federal subrecipients do not require employees or contractors seeking to report fraud, waste, or abuse to sign internal confidentiality agreements or statements prohibiting or otherwise restricting such employees or contractors from lawfully reporting such waste, fraud, or abuse to a designated investigative or law enforcement representative of a Federal department or agency authorized to receive such information.

- 3) Notify Accounting Services of all Subrecipient awards and provide a copy of the related agreements.
- 4) Provide all federal subrecipients with the Assistance Listing title and number for the program, award name and number, award year, type of award, total amount of Federal award, and the name of the federal sponsor as required by OMB 2 CFR 200.
- 5) Notify subrecipients of the requirements imposed by laws, regulations and the provisions of the contract or agreement as required by OMB 2 CFR 200.
- 6) Verify any questions or concerns regarding Technical Performance Report deficiencies are appropriately investigated.
- 7) Verify that all appropriate corrective action is taken by the subrecipient within six months of the audit report or that proper notifications are made.
- 8) Determine if a subrecipient's audit findings necessitate an adjustment of the sponsored programs financial records.
- 9) Upon receipt and consideration of OMB 2 CFR 200 Audit information from Accounting Services as identified at paragraph C. (2). below, obtain a management decision from the Senior Vice President for Research and Innovation, in conjunction with the PI or other designated departmental personnel, regarding the following:
 - a. Corrective actions necessary for deficiencies identified in the audit
 - b. Use of sanctions pursuant to OMB 2 CFR 200.338 for those subrecipients who are noncompliant or nonresponsive including the following:
 - i. Withholding a percentage of Federal awards
 - ii. Withholding or disallowing costs
 - iii. Suspension of Federal awards
 - iv. Termination of Federal awards
 - v. Additional monitoring procedures as needed to ensure compliance
- 10) Produce reports as needed regarding subrecipient agreements executed by OSP including the following data elements:
 - Name of subrecipient institution
 - Dollar amount of subrecipient award
 - Performance period of subrecipient award
 - Award name and number of the associated primary award

C. Accounting Services: In addition to any requirements stated above, the Office of Accounting Services is responsible for the following:

- 1) Review of initial budget documentation for the existence of the appropriate subrecipient budget account code(s) on primary awards for which Accounting Services has been notified that subrecipient awards are executed.

Ensure the department requests a new fund code for the subrecipient award, which will be tied to the primary grant fund. Once the subrecipient fund is established, notify the department to complete a budget revision to transfer the budget in the subawards budget account code(s) from the primary grant fund to the subrecipient fund.

If the subrecipient agreement is not executed at the time of the primary grant fund setup, then any funds budgeted to the subrecipient budget account code(s) will not be available for expenditures. When all required subrecipient information is available,

the department will be required to submit a budget revision through the Budget Revision System as appropriate and in compliance with [HSC OP 65.03](#).

If Accounting Services has not received notification of the existence of subrecipient awards, then it will be assumed that there are no subrecipients of the primary grant.

- 2) Contacting subrecipients annually utilizing the OMB Uniform Guidance Audit Certification Subrecipient Monitoring Requirements form included as Attachment A to this OP. Upon receipt of the form and requested audit report, Accounting Services will review the audit report to verify whether or not exceptions exist.
 - a. For those audit reports containing exceptions, Accounting Service will provide a summarized list of the exceptions to the Office of Sponsored Programs for use in making risk assessments and management decisions pertaining to the audit findings and noncompliance with OMB 2 CFR 200 requirements
 - b. For those audit reports containing exceptions, determine if instances of subrecipient non-compliance necessitates any adjustment to TTUHSC's records.
 - c. If no reply is received within 120 days after the form is originally sent, Accounting Services will provide a list of the subrecipient agencies that failed to comply to the Office of Sponsored Programs for use in making management decisions pertaining to the audit findings and noncompliance with OMB CFR 200 requirements.

Ensure invoice documentation supports amounts billed and meets the requirements of the award. On occasion, request clarification of invoiced charges that appear unusual, excessive, or questionable.