

# GM05 Policy and Procedure on Subrecipient Monitoring

## 1. General

Described herein are policies and procedures for the administration of subawards issued by SFI, under a prime research grant or contract, in support of sponsored research projects. These policies and procedures are intended to ensure compliance with SFI procurement policies, government regulations, and the terms of prime grants and contracts, and to provide for adequate monitoring of the activities of subrecipients. Although federal regulations include purchase orders in their definition as subcontracts, for the purpose of this policy, purchase orders issued for standard and routine goods and services are not considered subawards.

Subaward administration consists of pre-award activities (negotiation and preparation of subawards) and post-award activities (subsequent administration, accounting, and monitoring of subawards). The responsibilities of subaward administration are shared by the following areas:

- Principal Investigator;
- Sponsored Research;
- Finance.

## 2. Establishing Subawards

### a. Subrecipient and Contractor Determinations

The SFI is required to distinguish between a subrecipient and a contractor. Payments received for goods or services provided as a contractor are not considered subawards to subrecipients. The Sponsored Research Office or the Finance Office is responsible for making the initial determination concerning subrecipient versus contractor classification based on the Federal Subrecipient or Contractor Determination Checklist submitted by the Principal Investigator. The guidelines provided in the table below are taken into consideration when determining whether payments constitute a subaward or payment for goods and services.

SUBRECIPIENT FACTORS	CONTRACTOR FACTORS
Has responsibility for programmatic decision-making.	Provides the goods or services within its normal business operations.
Uses the subaward funds to carry out its own program, as compared to providing goods or services for an SFI program.	Provides similar goods or services to many different purchasers.
Performance is measured against the objectives of the prime award issued to SFI.	Operates in a competitive environment.
Has responsibility to comply with applicable prime award program requirements.	Assumes the risk if performance is more costly or time consuming than expected.
Exercises considerable discretionary judgment.	Not subject to the compliance requirements of the prime award.
Distributes subaward dollars further down	Provides services of a repetitive nature or

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goods of a commonly available kind.

**b. Principal Investigator**

When a contract or grant proposal is prepared, the principal investigator requests a complete, signed statement of the proposed work from any potential subrecipient(s). Each statement of work must include a budget, a definition of time commitments, and technical information. After receipt and evaluation of statements of work, the principal investigator incorporates the statement of work and the budget into the proposal to the funding agency. At this time, the PI submits to the Sponsored Research Office a completed Federal Subrecipient or Contractor Determination Checklist. After an award has been received, an additional specific prior written approval from the funding agency may be required to issue a subaward.

**c. Sponsored Research Office**

Following receipt of the Contract or Grant, the Sponsored Research Office will prepare a Subaward Agreement. In addition to SFI required terms and conditions, the Subaward Agreement may also contain many of the same terms and conditions as in the prime contract or grant (i.e. flow down provisions). Appropriate signatures will be obtained on the Subaward Agreement from the subrecipient and authorized SFI official. A copy of the Subaward Agreement is then forwarded to the Finance Office along with the respective Federal Subrecipient or Contractor Determination Checklist

**d. Finance Office**

The Finance Office will process the Subaward Agreement according to SFI purchasing policies and procedures and all applicable federal regulations, including but not limited to:

- Federal Acquisition Regulations (FAR), Part 44, "Subcontracting Policies and Procedures";
- OMB Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, 2 Part 200

**3. Changes to Subawards**

All requests for changes to subawards must be submitted in writing to the Sponsored Research Office. When a significant change is made to an existing subaward, the Subaward Agreement must be reviewed to determine whether a Subaward Agreement Amendment is required. An Amendment is required for the following changes:

- change in the scope of work;
- change in the expenditure level;
- cancellation of all or a portion of the subaward; or
- other changes, when it is in the best interests of the SFI to issue an Amendment.

#### 4. Monitoring Subrecipients

A subrecipient is defined as a legally constituted organization or institution that helps the prime recipient (grantee) carry out the scope of work identified in the proposal. The SFI monitors subrecipients for performance, costs, and compliance with applicable regulations including reporting requirements. In addition, as a prime recipient of federal grant funds the SFI is viewed as the sponsor of the activity and must monitor the activities of subrecipients. OMB Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, 2 Part 200 requires that the prime recipient be responsible for activities of the subrecipients, monitor their performance, and review their audits.

##### a. Principal Investigator

The principal investigator is responsible for monitoring the subrecipient for work performance and adherence to schedule and budget and for documenting this adherence via the following certification on invoices: "I am satisfied with the Subrecipient's progress to date and to the best of my knowledge; the costs included on the invoice are reasonable and appropriate for the work performed."

##### b. Finance Office

The Finance Office is responsible for comparing actual costs to the subaward budget and maintaining file copies of all cost documents pertaining to each subaward, including Subaward Agreements, Subaward Agreement Amendments, and invoices.

##### • Nonprofit Subrecipients

If the subrecipient expends \$750,000 or more in federal awards during the subrecipient's fiscal year, the subrecipient must make a copy of its most recent audited organization-wide financial statements available to the SFI upon request. Such audits must be conducted according to the guidelines of OMB. Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, 2 Part 200. The Finance Office will obtain required financial statements from subrecipients and review them for adequate internal controls, material weaknesses, and reportable conditions to determine if an adjustment to the SFI's financial statements is required. In addition, SFI will bill the subrecipient for any questioned costs relating to the project that were identified in the subrecipient's audit.

##### • For-profit Subrecipients

Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, 2 Part 200 does not apply to for-profit subrecipients. The SFI is responsible for establishing requirements, as necessary, to ensure compliance by for-profit subrecipients. The subaward with the for-profit subrecipient should describe applicable compliance requirements and the for-profit subrecipient's compliance responsibility. Methods to ensure compliance for federal awards made to for-profit subrecipients may include pre-award audits, monitoring during the subaward, and post-award audits.

**c. Finance Office**

If the subaward is issued under a federal contract and the subaward is for \$750,000 or more in aggregate and the subrecipient is not a small business, the Finance Office will require a Small Business Subcontracting Plan from the subrecipient. The Finance Office is responsible for monitoring the subrecipient's Small Business Subcontracting Plan.

**5. Payments to Subrecipients**

Subrecipient invoices, which must include the following certification: "Subrecipient certifies that all expenditures reported are reasonable and appropriate for the work performed. Subrecipient certifies that all necessary performance goals have been reached and all activities funded by the subaward were carried out for authorized purposes," will be submitted directly to the Finance Office which:

- reviews each incoming invoice;
- verifies the subaward number;
- compares the actual cost to the subaward budget;
- verifies the invoice contains all required information;
- signs to indicate approval; and
- sends it to the principal investigator.

The principal investigator:

- verifies the invoice is accurate;
- certifies the work being billed for was performed;
- verifies the costs are allowable;
- signs the invoice to indicate approval; and
- forwards the invoice to the SFI Finance Office for payment processing.

**6. Utilization of Small, Disadvantaged, and Women-Owned Business Businesses**

The SFI encourages the utilization of small businesses, small disadvantaged businesses, and small women-owned businesses, in compliance with Public Law 95-507 and Federal Acquisition Regulations.

**7. Close-out of Subawards**

Before a subaward can be closed out, the Sponsored Research Office will:

- ensure all required reporting, including technical, invention, and property, have been received;

Finance Office will:

- require the subrecipient to sign a certification form indicating the subaward has been billed in full and all the provisions of the Subaward Agreement have been fulfilled;
- review the subaward to ensure that all provisions have been met and all required reports have been submitted; and
- finalize any disposition of equipment. If title for the equipment is to pass to the SFI or the subrecipient the Finance Office will process all required documents.

SFI Policy and Procedure - Subrecipient Monitoring

Dani K. Karz

Authorization

10/20/15

Date

President

Title