Subcontracts, Subrecipient Monitoring, & Uniform Guidance

OSR/ASRSP Brownbag
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• Subaward Overview

• Uniform Guidance Requirements

• Tools & Strategies

• Updates on Northwestern’s UG Implementation
What is a Subaward?

• A binding legal agreement that sets forth the expectations of the parties with regard to the scope of work and budget

• Incorporates compliance requirements such IRB, ACUC, COI, allowable costs, audit, closeout, and other terms/conditions as may be flowed down from the prime sponsor
Research organizations operate in an environment in which collaborations and large-scale multidisciplinary projects that unite colleagues not only from within, but frequently across institutions on national and global levels.

The subaward is the formal mechanism that facilitates these collaborations.

Regulations dictate that the prime award recipient monitor subrecipients at a granular level.
Regulatory Examples

• Financial Conflict of Interest – 42 CFR Part 50, Subpart F “Responsibility of Applicants for Promoting Objectivity in Research”
• FFATA Reporting – Federal Funding Accountability and Transparency Act
• Debarment and Excluded Parties – 48 CFR Part 309, Subpart 309.4--Debarment, Suspension, and Ineligibility
• Uniform Guidance – 2 CFR 200
Uniform Guidance is a combined, “simplified” version of 8 previous circulars

2 CFR 200
Subpart A – Acronyms and Definitions
Subpart B – General Provisions
Subpart C - Pre-award Requirements & Contents of Federal Awards
Subpart D – Post Federal Award Requirements
Subpart E – Cost Principles
Subpart F – Audit Requirements
Appendix
Uniform Guidance
Subaward Sections

- 2 CFR 200.330 Subrecipient & Contractor Determinations
- 2 CFR 200.331 Requirements for Pass-through Entities
  - F&A requirements
  - Data elements required in the award document
  - Requirements of the subaward document
  - Risk assessment
  - Subaward terms and conditions
  - Monitoring subawards
  - Monitoring tools
- 200.332 Fixed Amount Subawards
• Pass-through entity must determine whether funding should be issued as a subaward or vendor agreement.

• Regardless of what the agreement is called, the nature of the work will be used to dictate whether § 200.93 (subaward) or § 200.22 (contract) applies.
<table>
<thead>
<tr>
<th>Subrecipient</th>
<th>Contractor</th>
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<tbody>
<tr>
<td><strong>Is subject to compliance requirements of the Federal program</strong></td>
<td><strong>Is not subject to compliance requirements of the Federal program</strong></td>
</tr>
<tr>
<td>- Has its performance measured in relation to whether objectives of a Federal program were met</td>
<td>- Provides the goods and services within normal business operations</td>
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<td>- Has responsibility for programmatic decision making</td>
<td>- Provides similar goods or services to many different purchasers</td>
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<td>- Uses the Federal funds to carry out a program for a public purpose specified in authorizing statute</td>
<td>- Normally operates in a competitive environment</td>
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<tr>
<td>- Determines who is eligible to receive what Federal assistance</td>
<td>- Provides goods or services that are ancillary to the operation of the Federal program</td>
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Requirements for Pass-through Entities:

F&A

§ 200.331

- Pass-through entity obligated to honor subrecipient’s **federally** negotiated F&A rate
- Subrecipients without a negotiated rate may charge 10% MTDC or **may** negotiate rate with pass-through entity
Requirements for Pass-through Entities: **Data Elements**

1. Subrecipient Name (must match registered name in DUNS)
2. Subrecipient DUNS Number
3. Federal Award Identification Number (FAIN)
4. Federal Award Date (date award was signed by the authorized official of prime sponsor)
5. Subaward Period of Performance
6. Amount of Federal Funds Obligated by this action
7. Total Amount of Federal Funds Obligated to the subrecipient
8. Total Amount of Federal Award
9. Federal award project description, as required to be responsive to FFATA
10. Name of Federal awarding agency, pass-through entity and contact information for awarding official
11. CFDA Number and Name; the pass-through entity must identify the dollar amount made available under each Federal award and the CFDA number at the time of disbursement
12. Identification of whether the award is R&D
13. Indirect cost rate for the Federal award (including if the de minimis rate of 10% MTDC is charged)
Requirements for Pass-through Entities:

**Subaward Document**

- Subaward must list all requirements imposed by pass-through entity so that award is used in accordance with Federal statutes, regulations and the terms & conditions of Federal award
- Any additional requirements that pass-through entity imposes to subrecipient
- Must specifically list any financial and performance reports that are required
- Requirement that subrecipient permit pass-through entity and auditors to have access to subrecipient’s records & financial statements as necessary
- Terms and conditions for subaward closeout

§ 200.331
Requirements for Pass-through Entities:  

Risk Assessment

* Each Pass-Through entity required to use Federal Audit Clearinghouse to verify audit reports
  * Items to consider when assessing risk:
    – The subrecipient’s prior experience with the same or similar subawards
    – The results of previous audits (including whether subject to Single Audit Requirements - threshold changed from $500K to $750K)
    – Whether the subrecipient has new personnel or new or substantially changed systems
    – The extent and results of Federal award agency monitoring (see 200.205)
  * Pass-Through entity must document acceptance of management plan

§ 200.331
Requirements for Pass-through Entities:

*Subaward Terms & Conditions*

- Include additional terms and conditions and/or impose specific conditions in response to audit findings

§ 200.331
Pass-through entities are required to:

- Review financial and programmatic reports required in subaward.
- Follow-up and ensure that subrecipient takes timely and appropriate action on all deficiencies pertaining to the Federal award detected through audits, on-site reviews, and other means.
- Issue a management decision for audit findings pertaining to the Federal award provided to subrecipient from pass-through entity.
Requirements for Pass-through Entities:

Monitoring Subawards - Continued

§ 200.331

- Review and management decision must occur within six months after audit is available in Federal Audit Clearinghouse
- Institutions may decide to accept corrective action plan documented by subrecipient, may modify existing subaward(s), or may choose to write additional requirements into future subawards
- Whatever option institution chooses, documentation of decision must be maintained
Requirements for Pass-through Entities: Monitoring Tools

Depending upon the risk assessment outcomes, recommended monitoring tools:

- Providing subrecipients with training and technical assistance on program-related matters
- Performing on-site reviews of the subrecipient’s program operations
Fixed Amount Subawards

Issuance of fixed amount subaward requires Federal award agency prior approval

• Must not exceed the Simplified Acquisition Threshold ($150K)

• Subaward must meet the requirements for fixed amount awards outlined in § 200.201 *Use of grant agreements cooperative agreements, and contracts*

  * Relies more on performance than compliance for accountability
Tools & Strategies

- Clearly Define Roles & Responsibilities
- Communication & Documentation
- Risk Assessment
- Invoice & Expenditure Review
- Performance Review
- Audits
Roles and Responsibilities

• PTE’s Principal Investigator
• PTE’s Department Staff
• PTE’s Sponsored Research Office
• PTE’s Grant Accounting Office
• Subrecipient responsibilities
• Formally submit request to sponsored research office for issuance of subaward
• Review and approve subrecipient invoices to ensure expenditures are:
  – Allowable
  – Reasonable
  – Allocable
  – within the period of performance
  – consistent with the work completed
PTE’s Principal Investigator

Review of technical and/or performance reports to ensure:

• The work being conducted by subrecipient is in accordance with the scope of work as outlined in the subaward agreement

• The subrecipient’s obligations are met

• The required items, reports, and documents are delivered in a timely manner
• Assist PI with formal request to sponsored research office for issuance of subaward
• Review subrecipient invoices to ensure expenditures are:
  – Allowable
  – Reasonable
  – Allocable
  – within the period of performance
Roles & Responsibilities

PTE’s Sponsored Research Office

- Issuance, negotiation, and execution of subaward agreements to subrecipients
- Conduct risk analysis of subrecipient entity (this includes gathering information)
- Include additional terms or restrictions within the subaward agreement as needed depending on outcome of risk analysis
• Include in the subaward agreement appropriate flow down of Prime Sponsor’s terms and conditions

• Verify subrecipient’s compliance with PHS or other prime sponsor COI requirements (must also flow down COI requirements within the subaward agreement)
• Review of subrecipient invoices to ensure expenditures are:
  – Allowable
  – Reasonable
  – Allocable
  – within the period of performance

• Verification with the PTE’s PI that charges are consistent with the work completed
Communication with the Subrecipient to gather backup documentation for questionable or unique expenditures

Request revised/corrected invoices

Authorize payment of Subrecipient invoices

Send annual A-133 letters (soon to be Uniform Guidance letters) to Subrecipients

Conduct audit of Subrecipients
Subrecipient

- Perform work in accordance with the approved budget and Scope of Work
- Comply with the terms and conditions of the subaward agreement; including terms from the Prime award
- Obtain approvals from their IRB or IACUC if human or animal subjects are used in their portion of the work
- Request approval from Prime Recipient when necessary
Communication & Documentation

- Create awareness of the challenges from the beginning for PI’s that collaborate with international & other subrecipients that are not familiar with U.S. Federal grant regulations
- Share concerns and challenges among offices and collaborate for solutions
- Document and retain all materials that can be used to demonstrate subrecipient monitoring activities
For Federal awards subject to Uniform Guidance:

• Prior to issuance of a subaward, Northwestern conducts risk assessment of all subrecipient entities, with special attention to entities that are foreign, for-profit, other non-profit/non-university organizations

• Subrecipient questionnaire used to assess risk level and internal controls is distributed to subrecipient entities for completion and authorized signature

• Whether a subrecipient entity has a previous relationship and is in good standing with Northwestern is also a factor in determining risk level
Risk Assessment Questions

Does the subrecipient entity have:

• A-133/single audit or other audit report on file
• Adverse findings in its audit reports
• Appropriate internal controls for cash management, invoicing, payroll, etc.
• U.S. Federal award experience
• Sponsor compliant COI policy
• ACUC or IRB approvals on file
Ongoing Risk Assessment

- Evaluate any audit findings of subrecipients annually
  - Federal Audit Clearinghouse – havester.census.gov
- Look for findings related to the Prime Federal award, and major deficiencies and material weaknesses of the institution
- Ask for subrecipient’s management plan (or corrective action plan)
- Decide if more detailed invoicing or reporting should be added to the subaward agreement terms
- Issue a management decision letter
Make sure invoices are received and reviewed

• Does the invoice meet the requirements of the subaward terms and conditions?
• Are the financials correct?
• Are invoices timely?
• Is the PI satisfied with the work and does the invoice amount accurately reflect the work done to date?
  – Northwestern requests certification of its PI review on each invoice
The PI should conduct performance reviews throughout the life of the subaward, informal or formal:

- Is the work being performed to satisfaction?
- Are the milestones and deliverables achieved/received?
- Are required progress reports received?
• Perform a random expenditure review audit to ensure expenses are appropriate and allowable
• Request policies and procedures to review for adequate controls
• Mini-audit with every invoice for a period of time to provide comfort that subrecipient understands the requirements
Updates on Northwestern’s UG Implementation

- FDP Templates and Tools
- Northwestern Tools
- Internal and External Stakeholder Engagement
FDP Templates and tools

- Subrecipient vs. Contractor Determination Form
- Subcontract Templates
- Risk Assessment Tools (coming soon)
- FDP Clearinghouse (expansion workgroup)
Northwestern Tools

- Subrecipient Questionnaire
- Subrecipient Risk Assessment
- Ongoing Subrecipient Monitoring
- ASRSP Subcontract Tracking Worksheet
- ESPR 2.0
WCAS Subcontract Process Improvement Pilot

Regular Intra-campus Meetings
- ASRSP/OSR Subcontracts Team Working Group
- OSR Quarterly Network
- NURAP and OSR/ASRSP Brownbags

Regional and National Participation
Northwestern University UG Information
http://www.northwestern.edu/asrsp/federal-initiatives/uniform-guidance.html

2 CFR 200 (full text)
http://www.ecfr.gov/cgi-bin/text-idx?SID=ee873e1aa906cf3b0d7474d25be3b5a9&node=2:1.1.2.2.1&rgn=div5

COFAR FAQ (11/2014)

Federal Audit Clearinghouse
https://harvester.census.gov/facweb/default.aspx/

Federal Demonstration Partnership
http://sites.nationalacademies.org/pga/fdp/index.htm

System for Award Management
https://www.sam.gov/portal/SAM/#/11

DUNS Online Request
http://fedgov.dnb.com/webform