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Subrecipient Monitoring Procedure

I. PURPOSE

The purpose of this procedure is to establish a consistent framework for monitoring subrecipients to ensure compliance with applicable federal, state, and private funding requirements, as well as the terms and conditions of each award. This procedure enables University of Massachusetts Boston (UMB) to fulfill its fiduciary responsibilities as a pass-through entity, safeguard sponsored funds, and mitigate risk by verifying that subrecipients are performing programmatically and financially in accordance with all governing regulations and subaward agreements.

II. SCOPE

This policy applies to all subawards issued by UMB. This policy does not apply to professional services and consultant agreements or the procurement of goods or services from contractors.

Related Links and Information

Office of Management and Budget's Guidance for Federal Financial Assistance (formerly "Uniform Guidance", now FFA guidance) 2 CFR §200.332

Financial Questionnaire

Federal Audit Clearinghouse

Federal Demonstration Partnership

Letter of Intent

System of Award Management (SAM)

III. Acronyms and Definitions

Acronyms

DRA/Unit Staff - Department Research Administrators, department or unit level business managers, grant administrators or any other award administration and management staff
GCA - Grant and Contract Administrator, ORSP Preaward
OMB - Office of Management and Budget
SFRA – Subaward Financial Research Administrator, ORSP Postaward
SGCA – Subaward Grants and Contracts Administrator, ORSP Preaward
USMC – University Subrecipient Monitoring Committee

Definitions

Contract - for the purpose of Federal financial assistance, a legal instrument by which a recipient or subrecipient conducts procurement transactions under a Federal award.

Contractor – an entity that receives a contract as defined in contract (see definition above).

Corrective Action – action taken by the auditee that: (a) corrects identified deficiencies; (b) produces recommended improvements; or (c) demonstrates that audit findings are either invalid or do not warrant auditee action.

Federal Funding Accountability and Transparency Act (FFATA) - Requires all recipients of federal awards to report purchases of $30,000 and greater under federal contracts. The act requires the reported data be made available to the public via www.USASpending.gov.

Pass-through entity – a non-federal entity that provides a subaward to a subrecipient to carry out part of a federal program. The authority of the pass-through entity under this part flows through the subaward agreement between the pass-through entity and subrecipient.

Prime Recipient – a non-federal entity that receives an award directly from a federal awarding agency to carry out an activity under a federal program.

Subaward – an award provided by a pass-through entity to a subrecipient for the subrecipient to carry out part of a federal award. A subaward does not include payments to a contractor or payments to an individual who is a beneficiary of a federal program. A subaward may be provided through any form of legal agreement, including an agreement that the pass-through entity considers a contract.

Subrecipient – a non-federal entity that receives a subaward from a pass-through entity to carry out part of a federal program. A subrecipient may also be a recipient of other awards directly from a federal awarding agency.

Subrecipient Monitoring – activities undertaken to review the financial status and management controls of (a) subrecipient(s) to mitigate the risk of contracting with (a) subrecipient(s).

IV. Procedure

Proposal Submission Phase

Upon disclosure to the Office of Research and Sponsored Programs (ORSP) by the UMB's Principal Investigator (PI) during the submission process of the intent to collaborate with another entity, the PI, GCA and DRA/Unit Staff will coordinate with the collaborator to secure subaward proposal documentation. This documentation will include either a Letter of Intent (LoI) if the subrecipient is a participant of the Federal Demonstration Partnership (FDP) Expanded Clearinghouse, or the Subrecipient Commitment Form (SCF) if the applicant subrecipient is not.

Subaward documents are mandatory in order to meet the institutional requirements of UMB, the subaward entity, the Office of Management and Budget (OMB) Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (2 CFR §200 "FFA guidance"), and any program-specific application requirements for compliance. The DRA/Unit Staff will perform and coordinate three essential components of the Subrecipient proposal preparation review including:

- Verify that the subrecipient applicant entity, and the proposed subrecipient PI, are eligible to receive federal funding through SAM.gov.
- Determine collaborator role as a Subrecipient or a Contractor (see Subrecipient vs Contractor classification document).
- Review institutionally endorsed LOI or SCF and proposal documentation with institutional concurrence before proposal routing. Amongst other items, this confirms whether the subrecipient entity has a Unique Entity Identifier number (UEI).

Subrecipient Agreement Issuance Phase

Prior to issuing a subaward, a Risk Assessment of the Subrecipient is performed to determine the subagreement type, terms and conditions, and appropriate monitoring of Subrecipient. ORSP assesses the risk of the subrecipients at the issuance stage and as necessary during the life cycle of the award. For subrecipients who do not receive a Single Audit per 2 CFR Part 200 Subpart F, a Financial Questionnaire (FQ) will be requested. The FQ allows assessment of a subrecipient's capacity to manage Federal funds appropriately. For example, the subrecipient may provide information about audit status, fiscal responsibility and internal controls, and accounting systems. The objective is to carefully evaluate our ability to issue and successfully manage a project with this Subrecipient.

Risk Assessment

ORSP conducts both an entity-level and project-level risk assessment using the Risk Assessment Database to determine an overall Risk Assessment score. In evaluating risk, items such as the following should be considered:

- Financial stability
- Quality of management systems and ability to meet the management standards (i.e. internal controls)
- Whether the subrecipient has new personnel or new or substantially changed systems
- Reports and findings from audits
- Prior experience with the subrecipient

High Risk Subrecipient

For subrecipients with a "high" risk rating based on the overall Risk Assessment score, the USMC determines the need for any special conditions to be included in subaward agreement. The USMC is comprised of the SFRA, the SGCA, and the ORSP Preaward and Postaward Associate Directors.

The award conditions for high risk subrecipients may include the following:

- Disallowing advance payments
- Change from cost-reimbursement invoices to fixed price milestone/deliverable invoicing upon completion of certain tasks
- Withholding authority to proceed to the next phase until evidence of acceptable performance within a given period of performance is received
- Requiring additional, more detailed financial reports
- Specified frequency for technical reports, e.g. monthly or quarterly
- Requesting supporting documentation for invoices
- Requiring additional project monitoring
- Exercising right to audit or site visits
- Requiring attendance at technical or management assistance training
- Establishing additional prior approvals
- Require third-party evaluations

If additional requirements are imposed, ORSP notifies the subrecipient as to:

- The nature of the additional requirements
- The reason the additional requirements are being imposed
- The time allowed for completing the actions, if applicable
- The nature of the action needed to remove the additional requirement(s), if applicable
- The method for requesting reconsideration of the additional requirements imposed

Subrecipient Agreement

Applicable subaward templates are used to issue subrecipient agreements outlining subaward terms and conditions, certifications and assurances, prime award terms and conditions, reporting requirements, and statement of work.

ORSP initiates a purchase order requisition, and the subsequent purchase order number is used as a subaward agreement number. The subaward number is referenced on invoices to process payments pursuant to the payment terms and conditions of the subaward.

A complete subaward is routed for review and execution by the designated authorized officials at the subrecipient entity and UMB and a fully executed copy is provided to the DRA/Unit Staff and ORSP.

FFATA Reporting

ORSP uses the Subrecipient information provided in Attachment 3B of the FDP subaward templates to report subaward data in compliance with FFATA by the end of the month following the month in which the subaward was executed. This legislation requires information on first-tier subawards be made available to the public via a single searchable website which is USA Spending. The subaward information is reported on the Federal Subaward Reporting System when the funding amount is $30,000 or greater; this may be upon initial subaward execution, or upon amendments providing incremental funding.

Ongoing Monitoring

During the performance of the subaward, ORSP monitors the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, in compliance with Federal statutes, regulations and the terms and conditions of the subaward. UMB's goal is to ensure proper accountability and compliance with program requirements and achievement of performance goals including reviewing the required financial and performance reports, and overall status of the subaward.

Ongoing Risk Assessment

Upon notification of an upcoming amendment, ORSP verifies the entity audit and conducts the Ongoing Risk Assessment using the Risk Assessment Database. Completion of an updated risk assessment for continuing subawards assesses the performance of the subrecipient, and determines whether or not things are going as planned and identifies any potential issues related to the subaward. Based on the results of the risk assessment, the amendment being considered may reflect modifications.

Financial Status of Subaward

ORSP will review the cumulative spending against the budget for fiscal management and determine if the subrecipient is submitting compliant invoices on a timely basis: not more frequently than monthly but at least quarterly. The financial status review provides insight into the Subrecipient's success managing the subaward in compliance with program requirements. The result of this review may impact the level of risk assessed to the subrecipient and ORSP is responsible for monitoring financial performance closely to ensure proper accountability and may provide subrecipients with training and technical assistance on program-related matters, or arrange agreed-upon-procedures with the subrecipient to ensure proper stewardship of federal funds.

Subrecipient Agreement Amendment

During the course of subaward performance, it may be necessary to amend the terms and/or conditions of the subrecipient agreement. Amendments may include changes to the period of performance, budget period, subaward obligation amount, and/or scope of work. Amendments are circulated to the pass-through entity and subrecipient for execution by the administrative officials to ensure acknowledgment and concurrence of subaward changes. A change order may be necessary to adjust funding levels of the subaward's purchase order and/or the period of performance, amongst other things. Upon final execution of a subrecipient amendment, a copy is circulated to the DRA/Unit Staff and ORSP.

Subrecipient Invoice Review and Approval

The risk level of subrecipients, as classified on the Overall Risk Assessment Score, determines the level of monitoring. Subrecipient invoices are received via subinvoices@umb.edu and reviewed by SFRA, department personnel, approved/signed by the PI, and sent to UMB's Unified Procurement Services Team (UPST) for payment on the purchase order already established. For high risk level subrecipients, invoices received are more closely reviewed to ensure compliance with subrecipient agreement terms and conditions. Upon satisfactory completion of the SFRA's review and resolution of any issues, the invoice is emailed to department personnel, approved/ signed by the responsible PI, and sent to UPST for payment.

Subaward invoices will be reviewed by the SFRA for compliance as they are received. The SFRA will review each invoice to ensure:

- Invoice falls within the period of performance and established subaward budget
- Invoice contains required identifiable information (purchase order number, period of performance covered by invoice)
- Invoice contains appropriate detail related to charges (budget categories, current and cumulative columns, etc.)
- Any requisite cost share is reported and backup is included if necessary
- Indirect costs are billed at the appropriate rate and charged on allowable costs (as applicable)
- Invoice contains required certifications and signatures
- Amendment for subrecipient is fully executed and attached to open purchase order

Invoices will not be processed for payment until approval has been received from the UMB PI. The SFRA will work with applicable parties to request corrections and/or clarifications as needed to ensure compliance with the subaward agreement and related terms and conditions prior to processing payment.

Closeout

At the end of the subaward period of performance when all applicable administrative actions and required work of the subaward have been satisfactorily completed, UMB will proceed to close out the subaward. Specific actions that occur during the closeout process include:

- Ensure all invoicing obligations are met:
  - Required back-up documentation (pursuant to subaward terms and conditions),
  - Participant support documentation is complete
  - Cost share obligations are met
  - Total overhead charges are appropriate (correct base and rate have been applied consistently) and calculated correctly
- Verify with DRA/Unit Staff that scope of work has been met
- Verify subrecipient invoice totals match the recorded cumulative vouchers in the BuyWays PO
- Once final invoice is approved and paid, attach any requisite amendments or documentation and close the PO in BuyWays

Financial Review

Each year, the SFRA will perform financial reviews of invoices submitted by subawards. The SFRA will randomly select invoices from up to 10% of our sub agreements and request the following supporting information be supplied to support the expenses listed on the selected invoice. The process will be as follows:

- ORSP will request an electronic copy of the general ledger with line-item details that support the invoice from the selected subaward entity.

- Upon receipt of the general ledger detail, specific expenses will be selected to request supporting documentation to further review. Supporting documentation may include, but is not limited to: payroll distribution records or reports, time sheets, time and effort reports for subject personnel, cost transfer entries and approvals, vouchers, payment receipts, travel and expense reports, requisitions and receipts for non-personnel expenditures and contracts issued for services for further review.
- Items provided will be reviewed for allowability in accordance with FFA guidance and any findings will be communicated to the affected parties as needed.
- ORSP will request an electronic copy, or web address, of subrecipient's accounting policy and procedures.

ORSP will follow-up with selected entities on outstanding items until the review is complete. Findings will be communicated to The Submonitoring Committee, and other parties as relevant and applicable.

Assigned risk ratings will also be evaluated and adjusted as necessary.