



TEXAS TECH UNIVERSITY

Operating Policy and Procedure

OP 65.05: Subrecipient Monitoring

DATE: March 12, 2018

PURPOSE: The purpose of this Operating Policy/Procedure (OP) is to set forth institutional requirements for monitoring the programmatic and financial activities of subrecipients for proper stewardship of sponsored funds and compliance with laws, regulations, and terms of the award.

REVIEW: This OP will be reviewed in November of odd-numbered years by the Managing Director of Accounting Services and the Managing Director of the Office of Research Services with substantive revisions forwarded to the Vice President for Research and the Vice President for Administration & Finance and Chief Financial Officer.

1. Federal Regulations

As a recipient of federal funding, Texas Tech University (TTU) is required by [2 CFR Part 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards](#) (Uniform Guidance) to monitor the activities of subrecipients. This policy applies to all federal and state of Texas subawards and may be extended to all subawards without regard to the primary funding source (individual elements may not be applied to subawards issued or modified prior to the implementation of the Uniform Guidance). Specifically, TTU's responsibilities include:

- a. Informing the subrecipient of all applicable federal laws and regulations and all appropriate flow-down provisions from the prime agreement;
- b. Assessing the subrecipient's risk of noncompliance with laws, regulations, and terms of the award;
- c. Imposing additional specific award conditions as necessary to mitigate risk;
- d. Reviewing the subrecipient's audit results and, where the audit findings are related to TTU's awards to the subrecipient, assessing the corrective actions;
- e. Issuing a management decision on the subrecipient's audit findings within six months and ensuring the subrecipient takes appropriate and timely corrective action; and
- f. Monitoring the subrecipient as necessary to ensure the subaward is used for authorized purposes and in compliance with laws, regulations, and terms of the award.

2. Definitions

- a. Subrecipient (subcontractor or subawardee) – A non-federal entity to whom a subaward is made and who is accountable to TTU for the use of the funds provided in carrying out a portion of TTU's sponsored project
- b. Subaward (subcontract or subgrant) – An award of financial support from TTU to another entity to perform a portion of the work funded under a sponsored project

3. Risk Assessment

Prior to issuing a subaward, the Office of Research Services (ORS) (which will also incorporate programmatic input from the principal investigator) and Accounting Services jointly assess and document the subrecipient's risk of noncompliance considering the:

- Prior experience with the subrecipient;
- Subrecipient's previous audit results;
- Subrecipient's direct federal funding and monitoring results;
- Subaward amount, complexity, and original funding source (federal, state, private);
- Percent of total award amount passed through;
- Proximity of worksite in relation to the subrecipient's main operations;
- Significance and complexity of the subrecipient's cost share commitment; and
- Sophistication of and changes in subrecipient's personnel and/or systems.

4. Subaward Terms and Conditions

ORS establishes the award terms and conditions consistent with the level of assessed risk and ensures that the subaward includes:

- Federal award identification elements if applicable (CFDA name and number, FAIN, award date, agency name, agency contact information, R&D indicator, FFATA information);
- Flow-down provisions from the prime agreement and any additional risk-based conditions are imposed;
- Appropriate indirect cost rate;
- Subaward budget and any revision restrictions;
- Invoicing, financial reporting, and performance reporting requirements;
- Procedures and timeline for award closeout;
- Provisions for access to financial records for audit; and
- Remedies for noncompliance.

5. Monitoring Procedures

Monitoring activities are performed in accordance with federal regulations. Additional risk-based procedures may also be performed to ensure proper accountability and compliance.

Responsibilities

a. Principal Investigator

- (1) Maintain regular contact with the subrecipient, review technical performance reports or other specified deliverables on a timely basis to ensure consistency with the agreed-upon statement of work, and document and resolve any issues.
- (2) Review (and document the review of) subrecipient invoices, including an actual to-budget-comparison for cost-reimbursable awards, and to verify that charges are consistent with technical progress and in accordance with federal regulations, sponsor requirements, and the terms and conditions of the award.
- (3) Consider conducting onsite visits to evaluate compliance with the project's scientific objectives.

b. Accounting Services

- (1) Ensure invoice documentation supports amounts billed and meets the requirements of the award.
- (2) Request clarification of invoiced charges that appear unusual, excessive, or questionable.
- (3) Request detailed justification and/or documentation to verify the allowability of cost as required/needed.
- (4) Consider conducting on-site visits or audits to evaluate the appropriateness of the subrecipient's systems, processes, and charges.
- (5) Review the subrecipient's audit reports to verify compliance with Subpart F and to determine if any audit findings pertain to the subaward. For findings related to the subaward, issue a management decision and assess the subrecipient's corrective action to ensure deficiencies are corrected in a timely manner.
- (6) Determine whether the results of the subrecipient's onsite reviews or other monitoring results necessitate adjustments to previous payments to the subrecipient and/or modified terms and conditions to subaward for future terms.
- (7) For entities not subject to Subpart F of the Uniform Guidance (private and non-federal state), consider requesting audited financial statements and/or completion of a financial controls questionnaire. Additional terms and conditions may be added to the subaward upon findings in the requested documents.