

Subrecipient & Monitoring



Sponsored Projects Administration
UNIVERSITY OF GEORGIA

POLICY AND PROCEDURE

Effective:	09/01/2021
Last Reviewed:	09/01/2021
Owner:	Jill Frazier Tincher
Area:	Sponsored Projects Admin
Applicability:	UGA System-Wide

PURPOSE:

The purpose of this policy is to ensure compliance with the standards set forth in the Federal Office of Management and Budget 2 CFR 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (2 CFR 200), Federal and State regulations, and sponsor-specific requirements. This policy provides guidance, which will assist University of Georgia (UGA) personnel proposing, performing and managing sponsored activities. Direct costs on sponsored projects must be allowable, allocable, and reasonable.

Failure to comply with UGA policies and procedures may result in audit findings, suspension of sponsored activities, closer monitoring by the sponsor, delays in final payments, and/or other enforcement actions imposed by the sponsor. This policy applies to all Federal and non-Federal sponsored activities, including all externally funded activities.

SCOPE:

All UGA personnel must be aware of the complex and detailed rules provided under Federal, State regulations, as well as terms and conditions of individual sponsored activities.

POLICY:

Sponsored projects will comply with all applicable Federal, State and/or sponsor-specific policies. This is applicable to building proposal budgets, negotiating sponsored projects, setting up sponsored projects, as well as initiating, approving, invoicing and reporting costs.

Often times, the terms subrecipient, subcontractor, subawardee, contractor, consultant, services by outsiders, and service provider are used interchangeably by faculty, entity and institution. From a Federal standpoint, they are distinctly different. These differences span proposal and award requirements, how the entity builds its budget, risk analysis, what compliance requirements apply, the contractual mechanism, monitoring requirements, if/when prior sponsor approval is required, etc.

Therefore, it is imperative to put the generic terms aside, consider the Federal and sponsor definitions, consider the implications associated, review the scope of work which the entity will perform, compare the scope of work to the grid below, and ensure the entity is appropriately categorized within the proposal budget and budget justification. If the entity meets the subrecipient determinations below, this policy applies. If they meet the contractor determination, this policy does not apply.

The Federal government differentiates a Subrecipient and contractor based upon the following determinations:

SUBRECIPIENT	CONTRACTOR
Determines who is eligible to receive what Federal assistance	Provides the goods or services within normal business operations
Has its performance measured in relation to whether objectives of a Federal program were met	Provides similar goods or services to many different purchasers
Has responsibility for programmatic decision making	Normally operates in a competitive environment
Is responsible for adherence to applicable Federal program requirements specified in the Federal award	Provides goods or services that are ancillary to the operation of the Federal program
In accordance with its agreement, uses the Federal funds to carry out a program for a public purpose specified in authorizing statute, as opposed to providing goods or services for the benefit of the pass-through entity	Is not subject to compliance requirements of the Federal program as a result of the agreement, though similar requirements may apply for other reasons
This translates into the following:	This translates into the following:
Provides a detailed budget which must abide by the cost principles (2 CFR 200 Subpart E)	Provides an hourly, daily or deliverable rate plus travel costs (if applicable). Typically, contracted based upon milestones or deliverables
Incorporates indirect costs consistent with their federally-negotiated Indirect Cost Rate Agreement	Indirect costs are not applicable
Bound by terms and conditions contained within the prime award	Not bound by terms and conditions of prime award
Adheres to salary limitations contained within prime award and flowed down	Not bound by salary limitations contained within the prime award
Actively engaged in the science; therefore, may be co-author on publications or may seek protection from inventions	Not entitled to publication or intellectual property rights
<i>Also Known As: subcontractor or subawardee</i>	<i>Also Known As: contractor, consultant, services by outsiders or service providers</i>

DEFINITIONS:

Contractor is a third-party entity that receives a contract – a legal instrument – where a non-Federal entity purchases property or services needed to carry out the project or program under a Federal award. The term as used in this part does not include a legal instrument, even if the non-Federal entity considers it a contract, when the substance of the transaction meets the definition of a Federal award or subaward.

Department Administrator has responsibility for assisting PIs in discharging their monitoring responsibilities, for reviewing invoices from subrecipients, and seeking clarification on questionable expenditures, if/when necessary, and for maintaining appropriate documentation.

Direct Costs are reasonable, allowable and allocable. They can be easily identified with a specific sponsored project and can be directly assigned based upon proportional benefit with relative ease and a high degree of accuracy. Costs incurred for the same purpose in like circumstances must be treated consistently as either direct cost or indirect costs. Typical costs charged directly to sponsored activities include personnel (salaries and fringe benefits); materials and supplies; scientific equipment; travel; and other expenses necessary to conduct the sponsored activity.

Principal Investigator (PI) has primary responsibility for monitoring subrecipients to ensure compliance with Federal regulations regarding both prime and subrecipient award terms and conditions.

Sponsored Projects are externally funded activities that must be separately budgeted and accounted for according to terms of the sponsoring organization, State regulation, and UGA policy. Sponsored Activities are provided through grants, contracts, and agreements with any Federal Agency, State Agency, or non-Governmental Organization that supports research, training, instruction, public service and other activities.

Sponsored Projects Administration (SPA) Pre Award: reviews/submits proposals; conducts risks assessment; and creates, negotiates, and executes subaward agreements ensuring that Federal and other applicable regulations are identified and included in the subaward agreement.

SPA Post Award Accounting: reviews audits and assesses the status of subrecipients, reviews UGA department-approved invoices from subrecipients; and assists PIs and Department Administrators in reviewing supporting documentation for expenditures.

Sponsor-specific Requirements include requirements stated within the sponsor rules/regulations, funding opportunity announcement, award/grant or contract/agreement and amendments.

Subrecipient is a third-party, non-Federal entity that receives a subaward from a pass-through entity to carry out part of a Federal program; but does not include an individual that is a beneficiary of such program. A subrecipient may also be a recipient of other Federal awards directly from a Federal awarding agency.

PROCEDURE:

When preparing a proposal, negotiating and setting up a sponsored project, incurring and approving expenses, and invoicing and reporting, UGA personnel must be aware of and conform to the complex and detailed rules surrounding Direct Costs and Subrecipients and Subrecipient Monitoring.

PROPOSAL STAGE:

1. PIs/units are strongly encouraged to review the funding opportunity as well as sponsor and federal requirements.
2. PIs/units should review this policy and identify whether Subrecipient is appropriate. If so, collaborate with the subrecipient on the subrecipient package which will include: subrecipient scope; budget; justification; letter of collaboration, and [Subrecipient Commitment Form](#).
3. PIs/units should alert Sponsored Projects Administration (SPA) of the inclusion of a Subrecipient to ensure SPA's review/approval.

4. SPA will review and update you if any changes are needed.

AWARD SETUP STAGE:

5. If/when the award is received, SPA will conduct a risk assessment of the subrecipient by reviewing the most recent audit/s and considering the scope of work. The risk assessment will be based upon if the entity has a recent audit, the types of findings in the audits, corrective action plans outlined in the audit, entity's location, experience with federal awards, etc.
6. The results of the risk assessment will be recorded in the financial management system as high or low risk.
7. SPA will utilize [Federal Demonstration Partnership Subaward Forms](#) as the vehicle to engage subrecipients wherever possible and flow down the prime award terms and conditions to the subrecipient to assist in mitigating any risks. Based upon the Subrecipient Commitment Form, results of risk assessment and nature of the scope of work, SPA may add additional terms and conditions where needed.
8. Additionally, if the subrecipient does not have a compliant conflict of interest policy, UGA may require subrecipient to comply with UGA policy. If so, the subrecipient will complete and return the [Annual Disclosure of Significant Financial Interests for Non-UGA Investigators](#) form.

SUBRECIPIENT MONITORING STAGE:

9. The following procedures detail the core elements of a sound subrecipient monitoring enterprise. Primary responsibility is noted within each element.
 - a. SPA advises PIs, units and subrecipients of all applicable federal laws and regulations, and appropriate flow-down provisions from the prime agreement (including flow down provisions to subrecipients of subrecipients).
 - b. PIs are responsible for the routine review of Subrecipient's Technical Reports to ensure adherence to subaward agreement scopes of work.
 - c. PIs/units are responsible for the routine review of expenses against the approved project budget.
 - d. SPA provides assistance, negotiations and recommendations to PIs/units/subrecipients in all aspects of pre award, post award and subrecipient monitoring – including but not limited to:
 - i. Periodic performance of on-site visits (if needed);
 - ii. Determination of whether to require audits;
 - iii. Review of Single Audits and other audit reports filed by the subrecipient, and any audit findings;
 - iv. Review of corrective action reports cited by subrecipients in response to audit findings;
 - v. Determination of audit risk for subrecipients and any resulting financial reporting requirements; and
 - vi. Consideration of sanctions (including a moratorium on encumbering new subawards) on subrecipients in cases of continued inability or unwillingness to have required audits or to correct non-compliant actions.

10. In addition to the general elements listed above, there could be additional sponsor or program specific requirements that mandate oversight, such as use of human or animal subjects, biohazards, etc.
11. The University will utilize a “risk based” monitoring approach, and the frequency and the intensity of the monitoring will generally be driven by the following parameters:
 - a. Is the subrecipient complying with the Uniform Guidance?
 - b. Is there an audit on file with no findings affecting the work?
 - c. Other factors include:
 - i. Sophistication (development and extent of internal controls) of the subrecipient’s financial and administrative systems;
 - ii. Prior experience with the subrecipient;
 - iii. Subrecipient location (remoteness to UGA);
 - iv. Subrecipient type (domestic, international, for-profit);
 - v. Subrecipient who may submit and require submission of supporting documentation with their reimbursement requests in order to receive payment; and
 - vi. Degree of external oversight by auditors and sponsors.

STANDARD MONITORING PROCEDURES

12. Collection of Technical Report – Technical performance reports should be reviewed and evaluated on a timely basis by the PI. Unusual or unforeseen items should be investigated, and reports should be retained and filed in the department for ready access by regulators. In some cases, subaward/subcontract terms may require specified deliverables in addition to, or in lieu of, technical reports.
13. Review of Invoices and Expenses – For cost-reimbursement subawards, subrecipient’s invoices must show budget, as well as current period and cumulative expenses-to-date. If cost share was committed, cost share budget as well as current period and cumulative expenses-to-date must also be included. Subrecipient Invoices must have a certification statement and signature of a Subrecipient Authorized Organizational Representative. PI and Department Administrator should compare subrecipient’s invoice to subaward budget to ensure that invoiced charges appear reasonable based upon the technical progress of the project, are within the budget parameters, and are consistent with the anticipated research timeline.
14. Clarification of Invoiced Charges – PI and Department Administrator should request explanations for any “unusual,” “miscellaneous,” “other” or apparently excessive charges invoiced by the subrecipient. If the explanations received are not sufficient to render a prudent judgement on the allowability of the cost, PI and Department Administrator may request detailed justifications or support from subrecipients. PI and Department Administrator may also periodically request, particularly from a high-risk subrecipient, detailed support for selected invoiced charges to verify their appropriateness and reasonableness.

Costs deemed unallowable or unreasonable should be disallowed and deducted/off-set from current or future invoices. In cases where questionable costs remain unresolved, it may become necessary to conduct more definitive monitoring procedures. PI and Department Administrator should contact SPA for assistance in these matters to

coordinate communications with subrecipient, possible on-site visits, audits and/or budget modifications.

15. Once invoices are reviewed and approved, they are processed for payment.

16. Annual Subrecipient Audit Verification – SPA Post Award Accounting will verify that the subrecipient organization has completed its Single Audit or other audit, as applicable. On a periodic basis, SPA Post Award Accounting will obtain current audit from current active subrecipients. Additional monitoring activities and supporting documentation may be required of high-risk subrecipients.

SPA Post Award Accounting will monitor and review the materials from the subrecipients. In the event SPA Post Award Accounting has concerns about the audit report or corrective action plan, the subrecipient will be contacted to resolve those issues. If the subrecipient does not respond to SPA Post Award Accounting's concerns in a timely manner, SPA will escalate in an effort to resolve concerns.

RESOURCES:

2 CFR 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards



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