

## **Subrecipient Monitoring Guide**

The purpose of this document is to communicate the University of Florida's guidelines pertaining to the programmatic and financial monitoring of its sponsored award subrecipients. A subrecipient is a third-party organization performing a portion of a University of Florida sponsored project. A subrecipient may also be a recipient of other Federal awards directly from a Federal awarding agency. The terms of University of Florida's subrecipient relationships are documented in subaward agreements (also referred to as subrecipient agreements).

In accordance with the requirements contained within Title 2, Part 200 of the Code of Federal Regulations (2 CFR 200), hereinafter referred to as Uniform Guidance (UG), the University of Florida is required to perform a series of monitoring efforts to ensure proper stewardship of federal funds. Those efforts include subrecipient/subaward vs contractor/contract/PO determinations, performing preaward subrecipient review and monitoring the programmatic activities of subrecipients throughout the life of each federal subaward. Subawards are also subject to additional federal agency-specific regulations established by the prime sponsor.

The following step-by-step procedures were developed to comply with the UG requirements and identify the appropriate office responsible for carrying out each activity. These procedures involve monitoring efforts from Principal Investigators (PIs), Departmental Administrators, Division of Sponsored Programs (DSP), Contracts and Grants – Accounting Services (C&G) as well as other central offices. These procedures do not preclude additional monitoring efforts where there is question about the subrecipient's ability to ensure proper use and financial management of federal funds during any stage of the award.

The University is not required to subject non-federally funded subawards to the Uniform Guidance subrecipient requirements. Nevertheless, recognizing that the Uniform Guidance is a collection of best-practices, the University of Florida will follow this guide, to the extent practicable, in managing risk for non-federally sponsored award subrecipients.

### **PROPOSAL STAGE REQUIREMENTS**

#### **Subrecipient versus Vendor Determination (DSP/Purchasing Services Responsible)**

- Perform analysis based on 2 CFR 200.330 UG criteria and the statement of work supplied by the Departmental Administrator. Determine whether the organization receiving federal funds under the project should be classified as subrecipient or vendor.
- The activity to write the anticipated subaward or vendor contract will be assigned to DSP or Procurement Services staff as appropriate depending on classification.

#### **Determine if Subaward should be Cost Reimbursable or Fixed Amount (DSP Responsible/Dept. Admin.)**

- Cost reimbursable subawards will be used in most cases.
- Fixed amount subawards may only be used with prior written approval of the Federal awarding agency up to the Simplified Acquisition Threshold (currently \$150K). The amounts of fixed amount subawards must be negotiated and meet the other requirements of 2 CFR 200.201. Documentation supporting the use of a fixed amount subawards must be uploaded to the UFIRST proposal file.

### **Determine if Budgeted Costs are Reasonable and Allowable for the Scope of Work (PI and DSP Responsible)**

- Review subrecipient's scope of work.
- Review subrecipient's budget and budget narrative for conformance with UG, agency-specific guidance, and solicitation requirements.
- Confirm appropriate F&A rate is applied to budget and obtain copy of current F&A rate agreement.
- Confirm institutional endorsement and approval by the subrecipient's authorized official.
- Confirm subrecipient has a Dun & Bradstreet Universal Numbering System (DUNS) number.

### **AWARD STAGE REQUIREMENTS**

#### **Subrecipient versus Vendor Verification (DSP Subaward Team/Purchasing Services Responsible)**

Verify that the services provided are for a subrecipient rather than a vendor or consultant using the criteria found in 2 CFR 200.330 (Subrecipient and Contractor Determinations).

#### **Determine Indirect Cost Rate (DSP Subaward Team Responsible)**

- **If subrecipient has a current Federally-approved indirect cost rate (IDC) agreement**
  - Review and upload current rate information to the UFIRST subaward file and ensure the correct rate is used on the subaward budget.
  - Ensure rate is applied to Modified Total Direct Costs (MTDC) consistent with Federal standards.
- **If subrecipient does not have a current Federally-approved IDC rate agreement**
  - If the subrecipient elects not to obtain a Federally-approved IDC rate, or agreement cannot be reached on a rate by the time of award, use the de minimis rate of 10 percent applied to MTDC.

#### **Review Subaward Compliance Information (DSP Subaward Team Responsible)**

Review information regarding research subjects, EH&S safeguards, export controls and conflict of interests. Obtain approvals, as needed.

#### **Pre-Subaward Organizational Risk Review (DSP Subaward Team Responsible)**

A pre-subaward organizational review is required in the case of a subaward or amendment under a federally sponsored project subject to the requirements of 2 CFR 200.331 (Requirements for Pass-Through Entities) unless a current review (within calendar year) is on file for the organization in the UFL Subrecipient Database.

Check the UFL Subrecipient Database for an existing current review of the subrecipient organization. If a current review exists, note the expiration date of the review and the current risk determination in the subaward file and use it – upload a copy of the record into the UFIRST subaward file. This satisfies the requirement of pre-subaward review and no further steps are required. If no review is in the subrecipient database, or it is expired, the following procedures need to be performed.

- **Determine Assessment Path (Federal Single Audit or Financial Questionnaire)**
  - o **If subrecipient is subject to the Federal Single Audit**
    - Go to the Federal Demonstration Partnership (FDP) or Federal Audit Clearinghouse (FAC) website and download the subrecipient's most recent report (most recent report should be within nine months of the end of the subrecipient's most recent fiscal year.)
    - Review the report to see if any findings relate/potentially relate to UFL subawards. As part of the review, complete UFL Federal Subrecipient Risk Analysis & Compliance Record. Assign a risk category of low, medium, or high risk, and upload a copy of the completed report and the annual audit into the UFL Subrecipient Database and the UFIRST subaward file. If an elevated risk category is assigned, the subaward may be subject to additional monitoring after the award is issued.
  - o **If subrecipient is not subject to a Federal Single Audit**
    - The subrecipient must complete and return the Subrecipient Financial Questionnaire to the DSP Subaward Team. In addition to asking financial, accounting, internal controls, and banking questions, the questionnaire also requests copies of related documents. A subaward will not be issued until the questionnaire has been completed, returned with requested documents, and reviewed.
    - DSP Subaward Team reviews the completed questionnaire, financial statements, and documents and completes the UFL Federal Subrecipient Risk Analysis & Compliance Record -assigning a risk category of low, medium, or high. The team then uploads the record into the UFIRST subaward file and updates the UFL Subrecipient Database accordingly. If an elevated risk category is assigned, the drafted subaward may include terms subjecting the subrecipient to additional monitoring after the award is issued.

### **Pre-Subaward Project-Specific Risk Review (DSP Subaward Team Responsible)**

In addition to the annual organizational-level risk review, determine any project-specific risks, including, but not limited to, the following:

- If required by funding agency, is subrecipient currently registered in SAM?
- If subrecipient is foreign, do either the subrecipient or subrecipient PI show any alerts in visual compliance?
- Is subrecipient presently debarred?
- Any potential conflict of interest between subrecipient and the UFL PI?
- Is the subaward 50% or more of the total award?
- Is the amount of the subaward more than \$500k?
- Is cost-share/match greater than 25% of the subaward?
- Does project include tangible deliverables beyond progress reports?

Where any project-specific risk factors exist, document the existence of the risks in the UFIRST subaward file and implement additional monitoring requirements or remedial actions as necessary.

## GENERAL GUIDANCE ON RISK CATEGORIES AND MANAGING RISK

### Risk Category Determinations

2 CFR 200.331 requires pass-through entities to “evaluate each sub-recipient’s risk of noncompliance.” The following serves as general guidance for making risk category determinations:

<b>Low Risk:</b>	1. No Audit Findings & assessed as low risk by auditors. 2. Minor or Unrelated Audit finding(s) & assessed as low risk by auditors
<b>Medium Risk:</b>	1. Organization <u>without prior experience</u> with Federal awards 2. <u>International Organization</u> with sufficient accounting systems & internal controls 3. Domestic Entity without prior experience in federal funding (< \$50,000)
<b>High Risk:</b>	1. Prior Audit finding(s) with <u>major deficiencies/material weakness</u> 2. Organization <u>without sufficient accounting systems &amp; internal controls</u> (often international) 3. Prior or Current PI/Org <u>Debarment or Suspension</u> 4. Prior <u>Non-Performance</u> with UFL 5. Prior or Current Conflict of Interest with UFL (unmanaged). 6. Foreign Entity without prior experience with federal funding (< \$100,000/year)

### Risk Management Tools

When material risk is identified in a subrecipient’s organization or project, 2 CFR 200.331 requires pass-through entities to implement risk management tools to ensure proper accountability, compliance with program requirements, and achievement of performance goals. Examples of available risk management tools include:

- Providing subrecipients with training and technical assistance on program related matters.
- More frequent monitoring of programmatic aims or invoices.
- More frequent communication with PI.
- On-site reviews of the subrecipient’s program operations.
- Stringent review of audits and prompt action when instances of noncompliance are identified.
- Enforcement action for noncompliance, including temporary withholding of payments, disallowing costs when all or part of the cost is non-compliant, wholly or partially suspending or terminating the subaward, withholding further funds from the project, or any other legally available remedies.

## **POST AWARD REQUIREMENTS**

### **Receipt and Review of Subrecipient Invoices (PI, Departmental Administrators, C&G Responsible)**

- The C&G subaward team receives invoices from subrecipients and enters them into the C&G subaward tool for tracking. A C&G subaward team member reviews the invoice for: UFL subrecipient number, costs within authorized budget period, expenses broken down as indicated in subagreement, direct costs add up, IDC calculates correctly, cumulative calculates correctly, any required cost share is documented and any required support documentation reconciles to the invoice. If an invoice does not have the minimum requirements, the invoice will be returned to the subrecipient for correction. If the invoice is acceptable, the assigned subaward team member will prepare a PI Certification and forward it, along with the invoice, to the PI for review and approval. If the subrecipient has been designated medium/high risk, the invoice and required support documentation will receive an additional level of review- see below under Elevated Risk Monitoring.
- The PI reviews and certifies to: allocability, allowability, indication of required cost sharing, reasonableness of costs, costs are within invoiced period, etc. as stated in standard certification/concurrence. The PI also certifies that the programmatic and financial aspects of the subaward's progress are being monitored and are acceptable to the PI.
- The subaward team receives the approved PI Certification back from the PI and processes the invoice for payment in the UFL Accounts Payable system. The invoice package and PI Certification are uploaded as support documentation to the myUFL Accounts Payable system.

### **Elevated Risk Expenditure Monitoring**

- If a subrecipient is designated as high risk, as part of UFL's risk management tools, their invoices undergo an expenditure review for allocability, allowability and adherence to award rules, regulations terms and conditions –performed by is the C&G Grant Accountant. The C&G Grant Accountant acts as the single point of contact between UF and the subawardee and communicates the need for any missing information/required documentation, additional support, justifications and seeks clarity as necessary. Once the invoice has been reviewed and approved by the Grant Accountant they return it to the C&G subaward team for further processing.
- Other risk monitoring tools may be implemented on a case-by-case basis to manage risks specifically identified in a subrecipient or project.

### **Programmatic Monitoring (PI Responsible)**

- The PI has ultimate responsibility for the administrative and programmatic aspects of the project including ensuring funds are spent in accordance with university and sponsor guidelines.

## **Annual Single Audit Reports and Financial Reviews (C&G Responsible)**

- If the subrecipient is subject to the federal Single Audit:
  - Annual Single Audit reports are obtained and reviewed only for Single Audit organizations which have one or more UFL subawards active during the period covered by the audit.
  - C&G will obtain the most recent Single Audit Report from the Federal Audit Clearing House.
  - C&G will review the Single Audit Report and update the subrecipient's risk category in the UFL Subrecipient Database.
  - If the risk assessment changes (either direction), the new risk assigned to the organization applies to all active project subawards for this particular organization, and the new risk level will be used for new subawards as they are issued. C&G will communicate the change in risk to the DSP Subaward Team for amendments to the existing subawards, where necessary.
  - For every instance where findings relate to a subaward, C&G must document UFL's management decisions in a management letter. This letter should then be sent to the subrecipient. A copy should be kept on file.
  
- If the subrecipient is not subject to the Federal Single Audit:
  - All non-Single Audit subrecipients are required to provide annual information consisting of a) updated completed questionnaire and b) most recent financial statements, if available. C&G receives the documents, reviews for completeness, completes the UFL Federal Subrecipient Risk Assessment and Compliance Form, and updates the subrecipient's file in the UFL Subrecipient Database.
  - If the assessed risk changes (either direction), the new risk assigned to the organization applies to all active project subawards for this particular organization, and the new risk assessment will be used for new subawards as they are issued.
  - Where a subrecipient's assessed risk changes on an active subaward, C&G & DSP Subaward Team will jointly determine whether an amendment to the existing subaward agreement is necessary to manage the change in risk. An explanation for the changes will be provided to the subrecipient.
  - Each non-Single Audit organization will only provide one updated questionnaire with financial statements annually regardless of how many UFL subawards that particular subawardee may have.