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**I. TITLE:**

Management and Monitoring of Subaward Agreements Policy

**II. POLICY STATEMENT:**

The University is required by the Uniform Guidance Code of Federal Regulations (CFR) on Subrecipient Monitoring and Management, specifically §200.331, to conduct due diligence and evaluate each subrecipient's risk of non-compliance. The evaluation process consists of monitoring the activities of subrecipient organizations to ensure the subaward is in compliance with applicable Federal statutes, regulations, and terms of the subaward; and verifying that subrecipients are audited according to Subpart F of the Uniform Guidance. For non-Federal awards, Alabama State University (ASU) may also be required by the sponsor to provide evidence of due diligence in reviewing the ability of a subrecipient to properly meet the objectives of the subaward and account for the sponsor's funds.

Alabama State University (ASU) is responsible for monitoring the programmatic and financial activities of its subrecipients to ensure proper stewardship of sponsor funds. The following policy applies to all subawards issued under sponsored programs, without regard to the primary source of funding. Additionally, this policy addresses institutional responsibilities and assists Principal Investigators (PIs) and administrators to ensure that subrecipients: (1) comply with applicable Federal laws and regulations; (2) adhere to the provisions of each subaward agreement while achieving performance goals.

Consistent with Federal, State, and Local regulations, and to ensure proper stewardship of sponsored projects, ASU will undertake specific activities to monitor subrecipients, including but not limited to subrecipient pre-qualification, reporting, financial status, site visits, regular contact, and other means to provide reasonable assurance that subrecipients administer and perform subawards in compliance with applicable law, regulations, and the provisions of the University's sponsored projects. Additionally, ASU assesses the subrecipient organization's financial status and internal controls based on documentation directly from the subrecipient, to determine whether to proceed with the subaward. Based on that assessment, terms and conditions are established in the subaward agreement to be consistent with the level of perceived risk, and then the University identifies specific monitoring activities.

**III. SCOPE OF POLICY:**

OMB Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (2 CFR 200) ("Uniform Guidance"), specifically §200.330-332 and CFR 200 Appendix II, requires pass-through entities to evaluate each subrecipient's risk of noncompliance in order to determine the appropriate monitoring level, monitor the activities of subrecipient organizations to ensure that the subaward is in compliance with applicable

Federal statutes and regulations and terms of the subaward, and verify that subrecipients are audited as required by Subpart F of the Uniform Guidance.

For non-federal awards, Alabama State University may also be required by the sponsor to provide evidence of due diligence in reviewing the ability of a subrecipient to properly meet the objectives of the subaward and account for the sponsor's funds.

Failure to adequately monitor the compliance of subrecipients could result in reputational damage to the University, and jeopardize current and future funding. It is the responsibility of Alabama State University, as the pass-through entity, to ensure the good stewardship of sponsored funding. All funds assigned to subrecipient organizations should receive the same diligence as sponsored funds that remain at Alabama State University.

This policy outlines all major activities to be executed in monitoring subrecipient/subaward activity associated with Sponsored Programs at Alabama State University. All departments, offices, faculty, administrative personnel, and staff personnel who are involved in the conduct of sponsored research wherein a sub recipient is conducting a portion of the research activity are required to follow these procedures.

This policy addresses institutional responsibilities for monitoring the programmatic and financial activities of its subrecipients to ensure proper stewardship of sponsor funds. The following policy applies to all subawards issued under sponsored programs made to ASU, without regard to the primary source of funding. It is designed to assist administration, principal investigators (PIs) and project / program administrators to ensure that, in addition to achieving stated performance goals, subrecipients comply with applicable federal laws and regulations and with the provisions of any sponsored award that governs the subcontract /subaward agreement.

This policy delineates specific activities that should be performed in fiscal, administrative and award oversight managing subrecipients of sponsored awards. The policy documents the general roles and responsibilities for subrecipient monitoring across ASU. This policy is intended to establish effective stewardship of sponsor funds related to sponsored project activity subcontracted to other entities. In addition, the University will streamline federal subawards by monitoring and assessing potential risks. The ongoing assessments of risk will be evaluated using FDP Subaward templates (i.e Risk assessment questionnaire, Cost reimbursable, or Subaward guide.)

#### **IV. EFFECTIVE DATE:**

Effective immediately upon approval by the Alabama State University (ASU) Board of Trustees.

**V. AUDIENCE:**

All Principal Investigators (PIs) and administrators at Alabama State University within all colleges, units, divisions, University-wide initiatives, and centers, which are involved with the administration and conduct of sponsored awards that issue and manage subawards must comply with this policy.

**VI. DESIGNATED RESPONSIBILITIES AND APPLICABILITY OF SUBRECIPIENT MONITORING POLICY:**

Subrecipient monitoring responsibilities are shared among the following:

***PI & Department Level Managing Unit***

1. Review past assessments to assess the risk level of potential subrecipient organizations at the time of proposal.
2. Submit to ORSP a request for a preliminary review of the subrecipient organization at the proposal stage, if necessary.
3. Confirm the statement of work and review any non-standard terms and conditions of the subaward during the subaward agreement negotiation process.
4. Monitor programmatic progress and ability of the subrecipient to meet objectives of the subaward.
5. Review and approval of subrecipient invoices by PI or designee.
6. Monitor each subaward throughout the period of performance and escalate concerns to the ORSP.
7. Review the subagreements report on a quarterly basis.
8. Provide written confirmation of the review of each subaward to the ORSP on a quarterly basis.

***College Level Managing Unit***

1. Establish a College Subrecipient Monitoring Subcommittee or equivalent process to work with PIs and department level managing units to resolve issues on subawards as they arise and escalate to ORSP if issues continue or cannot be resolved.
2. Coordinate subaward monitoring at the college level.
3. Provide records of quarterly subaward monitoring of individual subawards and report material issues noted during the reviews to the University Subrecipient Monitoring Committee (USMC).

***Office of Research and Sponsored Programs (ORSP)***

1. Complete risk assessments on new subrecipient organizations and conduct annual assessments on active non-single audit subrecipient organizations.
2. For single audit entities:
  - On an annual basis confirm that there are no findings
  - Complete risk assessments on a rolling 3-year basis
3. On a monthly basis, inform subrecipient reps, by email, of all organizations that have been assessed as high risk (red rating).
4. Maintain documentation of risk assessment, the perceived level of risk, and the monitoring activities planned associated with the risk.

5. Schedule, hold, and document the University Subrecipient Monitoring Committee meetings.
6. Maintain the subrecipient monitoring organizational risk assessment business process.
7. Review information obtained for initial and annual subrecipient organization risk assessment and assign a risk rating.
8. Incorporate additional terms into subawards if needed, based on information from the PI, department level managing unit, and the risk assessment of the subrecipient organization.

***University Subrecipient Monitoring Committee (USMC)***

1. For high risk collaborations, ORSP will monitor, review, revise, and approve risk assessments on new subrecipient organizations and review annual updates to active subrecipient organizations' risk ratings until the completion of the project.
2. Review problematic subawards as identified by the colleges and work with the department level managing units to establish additional monitoring criteria.
3. Update subrecipient organization risk rating when appropriate.
4. Provide training to the University on subrecipient monitoring.

***Office of the Provost/Academic Affairs and Business and Finance (with grant accounting)***

Review and approve certain high-risk projects that may involve subrecipients at the proposal stage and, as necessary, during the life of the award.

*Policy governing the process*

**A. Pre-award Subrecipient Review/Risk Assessment**

Before executing a subaward agreement, ASU will conduct an assessment to identify risks. A subrecipient risk assessment may take into account several factors, including but not limited to:

- whether the potential subrecipient is subject to a single audit or other federal financial review;
- degree of external oversight by auditors or sponsor agencies;
- evidence of effective financial controls within the subrecipient's systems and administrative operations through review of the organization's audit reports, management letter, or other acceptable documentation;
- size of the subrecipient;
- size of the subrecipient award.
- award complexity, sensitivity of the work, and/or extensiveness of the governing regulations;
- prior experience with the subrecipient (e.g. Pre-award negotiations
- financial/operational reporting accuracy and timeliness, response to requests, etc.);
- subrecipient location (i.e., remoteness from the University might require more oversight);
- type of subrecipient organization (for-profit / not-for-profit / small business /corporation / foreign / domestic); and organizational and individual conflict of interest.

- confirmation that the subrecipient is not listed as debarred or excluded. Where the risk assessment reveals a high potential for financial risk, a proposed risk mitigation strategy will be enforced by the ORSP, in consultation with the Provost/VP Academic Affairs, VP Business and Finance and General Counsel as appropriate before proceeding with establishment of the subaward. Risk level and risk mitigation strategy will be documented when a substantial risk is noted. Before signing an agreement with a new subrecipient, it is the responsibility of the ORSP and Business and Finance to gather information and documentation on the potential subrecipient's organization, financial stability, and financial processes and controls. ORSP with Business and Finance will review the financial risk and document risk assessment findings.

*Pertinent information may be gathered from the following sources:*

- single audit certification letters for single audit covered entities;
- annual financial statements from non-single audit covered entities.

When negotiations begin, ORSP will request documentation of financial status from subrecipients not subject to single audit requirements. A subrecipient unwilling or unable to provide required audit reports for review will be evaluated by ORA, and appropriate actions will be taken to manage risk. The frequency of monitoring will be determined based upon the specific organization and the nature of the subaward proposed.

*Distinction between a Subrecipient and a Contractor.*

OMB Uniform Guidance also makes a distinction between a subrecipient (substantive work) and a contractor:

- A subrecipient is defined as “a 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.”
- A contractor is defined as "an entity that receives a contract," which is defined as “a legal instrument by which a non-Federal entity purchases property, services, or provides consultation to assist the subrecipient in completing 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” ASU, as the pass-through entity, must make a case-by-case determination regarding each agreement it makes for the disbursement of Federal funds casting the party receiving the funds in the role of a subrecipient or a contractor.

Subcontractor versus contractor classification of the non-Federal entity as a subrecipient in accordance with OMB Uniform Guidance §200.330.

Not all of the characteristics need to be or will be present to determine whether a non-Federal entity is cast as a subrecipient or a contractor, and the Uniform Guidance states that judgment should be used in each case. While an external entity may be classified as a

contractor, it is still subject to compliance rules and regulations, including those that govern the usage of human or animal subjects and select agents.

## B. Negotiating and Executing Subrecipient Relationships Standard Terms in Subrecipient Agreements

The University subawards generally will include the following, as appropriate:

- terms that specifically address the implementation of any appropriate and necessary risk mitigation strategies;
- for subrecipients subject to single audits, a requirement to report any problem related to the subaward identified in their annual audits and to submit corrective action plans for review by the University;
- mandatory flow-down provisions from the prime award, if applicable, only as an attachment of the award terms to the subaward agreement or by a link to the award terms and conditions.
- financial terms and conditions including but not limited to: fixed price or cost, term and termination, billing requirements, and payment terms;
- ownership of intellectual property and data;
- a requirement to permit the sponsor and or the University and their auditors to have access to the records and financial statements as necessary for the University to conduct a review if deemed appropriate and to cooperate with the University in resolving problems;
- terms indicating that subrecipient submission of an invoice constitutes certification that the items included on the invoice represent reasonable, allocable, and allowable costs associated with performing the project defined in the agreement;
- for federal awards, each subrecipient will be informed of the Catalog of Federal

Domestic Assistance (“CFDA”) title and number, award (name, number, and year), whether the award is Research and Development (“RAD”), and the name of the federal agency sponsoring the award. When some of this information is unavailable, the University shall provide the best information available to describe the federal award. Also, as the prime institution, ASU reporting the subaward is responsible for FFATA (Federal Funding Accountability and Transparency Act) requirements. Any subaward over \$25K or initial award under \$25K, but additional funding amendments increase the overall award over \$25K must be reported.

## C. Post-award Subrecipient/Subaward Monitoring of Ongoing Activities

The University has the responsibility, on an ongoing basis throughout the life of the award, to monitor the activities of subrecipients in accordance with the governing agreement, to assure that awarded funds are used for authorized purposes in compliance with the provisions of the agreement, and to ensure that performance goals are achieved. The responsible Principal Investigator (“PI”) and department grant administrators should jointly determine the frequency and scope of departmental monitoring procedures. A “risk-

based” approach to subrecipient monitoring is recommended with the frequency and intensity of monitoring driven by (1) the terms of the grant award and (2) the criteria identified in the section of this procedure titled “Pre-award Subrecipient Review.”

### *Progress Monitoring, Technical Reports, and Deliverables*

PIs are responsible for monitoring the progress of subrecipient work scope, using a variety of means to make this determination. Such review should generally take place at least quarterly. The PI might receive informal progress reports via phone conversations, e-mail communications, or face-to-face discussions, or more formal technical reports or other deliverables might be required and due on specific dates. If formal technical reports are required, they should be filed with the grant files in the department and retained in the same manner as other grant documents. Technical progress reviews by the PI are documented by that PI’s signature on invoices.

Subaward invoices submitted to a department must contain a minimum level of information including but not limited to:

- name of subrecipient;
- date of invoice;
- invoice number;
- period of performance covered by invoice;
- description of services reflected by billings (e.g., major expenditure categories);
- current period costs, including cost sharing (in sufficient detail to enable comparison to project budget);
- cumulative project costs, including cost sharing, as compared to the project budget;
- subrecipient contact person with respect to the invoice;
- certification on each invoice as to the truth and accuracy of the invoice.

The PI must submit invoices to grants accounting for payment within 30 days of the invoice date unless there are extenuating circumstances that have been approved by ORSP and grants accounting. The PI must retain a copy for departmental records. The PI’s signature on the invoice indicates that review has taken place and that the invoice adheres to budget.

### *Resolving Invoice Issues*

If, after review of the invoice, a concern with subrecipient performance is identified, the PI should request clarification from the subrecipient PI. In addition to the PI, ASU’s Chief Grant Accountant also reserves the right to question, investigate and inquire about any financial situation related to the awardee and subaward site. If the PI identifies any unusual, miscellaneous, apparently excessive, or potentially unallowable charges invoiced by a subrecipient, and if the explanations from the subrecipient are insufficient to render a prudent judgment on the allowability of the cost, the PI shall refer the matter to grants accounting for resolution with the subrecipient’s institutional authorities. When grant accounting is satisfied that the issues are resolved, they will notify the PI to proceed with approval for payment. Invoices should not be approved for payment until all issues or

concerns have been resolved. All parties will work collectively with grants accounting and finance and administration to ensure proper stewardship of the subawards.

*Other monitoring guidelines ASU may utilize include the following:*

Periodic progress reports should be reviewed, comparing results delivered against the subrecipient's statement of work. In addition, the reports should be compared to invoices to determine that the expenses match the progress of the project. Examples of instances that could raise concerns include, but are not limited to:

1. A subrecipient consistently invoices ASU for one twelfth of the subaward budget each month; however, the progress reports do not match the level of expense being reported.
2. A subrecipient is performing work as evidenced by its progress reports, but has not submitted any invoices or has not submitted invoice in accordance with the terms of the subaward.

Subrecipient invoices should be reviewed for allowability, allocability and reasonableness of costs and should be in enough detail to determine how the funds were utilized.

Costs which differ materially from the subrecipient's approved budget, or appear unusual or unallowable should be questioned. In addition, payment should be withheld until a satisfactory explanation is received or an appropriate audit/review is performed and the findings of such audit/review resolved or corrected. Examples of when an invoice should be questioned include, but are not limited to:

1. A subrecipient's invoice indicates the purchase of equipment, but equipment expenses are not in the approved budget.
2. A subrecipient's invoice lists only the total costs claimed without providing any categorical breakdown/detail.

Approval of subrecipient invoices should be in writing on the invoice by the Principal Investigator and any supporting documentation should be retained.

### *Subaward Amendments*

Should it be necessary to change any portion of a subaward, the Principal Investigator should contact the Principal Sponsored Programs Director. Common reasons for amending a subaward include providing additional funding, extending the period of performance, or modifying the reporting schedule. It is important to note that some changes, such as scope of work changes, change in the subrecipient's principal investigator or transferring the subaward from one recipient to another, may require the prior approval of the prime sponsor. Amendments are expected to be implemented as soon as possible to avoid disruption in the sponsored program.



### *ORSP Monitoring/Review of Ongoing Activities*

ORSP will provide a review of all subrecipient invoices submitted for payment. The review will, at a minimum, include:

- appropriate invoice format and level of detail;
- signature of the PI;
- certification or signature by authorized subrecipient representatives.

ORSP may disallow invoice charges determined to be unreasonable, unallowable, or unallocable. ORSP will work with the PI to document the reason for the disallowance and contact the subrecipient organization to request a revised invoice.

#### D. Annual Subrecipient Monitoring Including Risk Management

ORSP has ultimate responsibility for determining the activities that will be undertaken to annually evaluate subrecipient organizations, as well as to collaborate with the Vice President of Business and Finance to determine what corrective actions should be taken. At least annually, ORSP will gather updated information and documentation on subrecipient organizations' financial stability, financial processes, and controls.

Pertinent information will be accumulated, reviewed, and analyzed as follows:

- Single Audit Entities

Subrecipients that expend \$ 750,000 or more of federal funds annually are subject to single audits. Annual single audit certification letters indicating compliance with the single audit certification standards will be requested and reviewed by ORA. Note for-profit organizations are not subject to Single Audit requirements.

- Excluded from Single Audit Requirements

Annual financial statements or completed annual financial controls surveys from non-single audit covered entities will be requested and reviewed by ORSP. In addition, the following approaches may be used to learn more about the subrecipient and confirm the risk profile:

- desk audits of a sample of subrecipients;
- site visits to review processes, systems, and controls;
- other procedures deemed appropriate.

Similar to pre-award risk assessments, the annual subrecipient financial monitoring activities should be driven by several factors discussed in the section of this procedure titled "Pre-award Subrecipient Review". Upon receipt of an unfavorable audit report from a subrecipient, the ASU will confirm that the subrecipient has taken appropriate and timely corrective action.

### *Administrative Monitoring*

*Technical Monitoring* - As the prime award recipient, ASU assumes the ultimate responsibility for the conduct and completion of the project. Subaward progress reports should be reviewed thoroughly by UCR's Principal Investigator and discussed with the subrecipient as needed. The subrecipient will be required to furnish reports as identified in the subaward. It is important to notify RED if technical progress reports fall behind schedule or are not provided.

*Financial Monitoring* - In accordance with the subaward, invoices should be provided to grants accounting on a regular basis. The Principal Investigator, in conjunction with his/her department administrator, should review the request for payments to ensure the payment is consistent with the effort performed. The Principal Investigator should provide approval prior to payment of the subaward invoice. Amounts above the dollar amount included in the subaward will not be paid, even with the approval of the Principal Investigator, until an amendment to the subaward is negotiated and executed by the ORSP.

***Principal Investigators and/or department administrators should report any of the following to the ORSP and/or grants accounting as soon as possible:***

1. Subrecipients who fail to perform the scope of work.
2. Requests from subrecipients to change any terms of the subaward, including (but not limited to) scope of work, budget, period of performance, progress report due dates, invoicing requirements and changes in the subrecipients principal investigator.
3. Subrecipients who fail to fulfill reporting obligations or provide deliverables.
4. Subrecipients who breach the terms of a subaward.

### E. Closeout of Subrecipient Awards

ORSP, in collaboration with the PI, should begin subaward closeout actions immediately following conclusion of the subaward period of performance.

Where possible, subrecipient awards should be processed for closeout and formally closed within a 60-day time period, unless ORA grants an extended time period to close out the subrecipient award. A subrecipient award may not be formally closed until all of the applicable closeout requirements have been accomplished.

Subrecipient award closeout requirements must include:

- receipt of final invoice;
- collection of all required deliverables (e.g., technical/progress reports, patent/invention documentation, equipment reports, etc.) to be provided by the subrecipient and final verification of technical completion by the PI, indicated by the PI's signature and date on the final invoice;
- completion of any necessary final review of costs charged to the ASU by the subrecipient and final closeout of all commitments, accrued costs, or payables.

The requirements of the prime award, under which a subrecipient award is issued, will be considered during the closeout process. In general, a subaward is closed when it has expired and/or when final technical deliverables are received and financial matters are concluded.

**VII. POLICY MANAGEMENT:**

Responsible Office(s): Office of Research and Sponsored Programs (ORSP)

Responsible Executive: Director of the Office of Research and Sponsored Programs

Responsible Officer(s): Director of the Office of Research and Sponsored Programs and the Provost

**VIII. DEFINITION(S):**

***Annual Subrecipient Monitoring*** – Annual subrecipient monitoring includes those activities undertaken to review the financial status and management controls of a subrecipient to mitigate the risk of contracting with a subrecipient organization.

***Contractor (Vendor)*** – Organization that provides goods and services within normal business operations. Contractors (vendors) provide similar goods and services to many different purchasers, operate in a competitive environment, and provide goods or services that are ancillary to the operation of the sponsored program.

***Designee*** – An individual who the PI has delegated subrecipient invoice approval responsibility and who has first-hand knowledge of the PI’s sponsored award(s) and programmatic progress of the subrecipient.

***Federal Audit Clearinghouse*** – Division of the Office of Management and Budget (OMB) that collects information on Single Audit (formerly A-133) results.

***Pass-through entity*** – Non-federal entity that provides a federal award to a subrecipient to carry out a federal program; sometimes referred to as the “prime” or “lead” organization.

***Pre-award Subrecipient Review*** - Pre-award subrecipient review includes those activities undertaken prior to officially subcontracting with a third-party organization. Such activities may include reviewing organizational, financial or other information to identify potential risks.

***Post-award Subrecipient Monitoring*** – Post-award subrecipient monitoring refers to those day-to-day activities undertaken to monitor billings and scientific progress of an active subaward.

***Sponsored award*** – Funding arrangement in which the University is providing a return benefit to, or agrees to provide a defined deliverable or complete a set of activities for, the sponsor in exchange for the funds, regardless of whether the funding instrument is designated a contract, cooperative agreement, grant, consortium agreement, or otherwise.

*Subaward* – Enforceable agreement, issued under a prime sponsored project, between a pass-through entity and a subrecipient for the performance of a substantive portion of the program; these terms do NOT apply to the procurement of goods or services from a contractor (vendor).

*Subrecipient (subcontractor or subawardee)* – Organization eligible to receive a financial award. A subrecipient’s performance is measured against whether the objectives of the sponsored program are met; subrecipients have responsibility for programmatic decision-making and for adherence to applicable program compliance responsibilities. Subrecipients are responsible for performing a substantive portion of the program, as opposed to providing goods and services.

*Uniform Guidance* – OMB publication entitled “Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards” (2 CFR 200).

**IX. PROCEDURES:**

Approved procedures are located in the Office of Research and Sponsored Programs Procedural Manual published in accordance with this approved policy.

**X. REFER TO THE OFFICE OF RESEARCH AND SPONSORED PROGRAMS PROCEDURAL MANUAL**

To be published after the policies are approved by the Board of Trustees.

**XI. ANNUAL AUDIT OF GRANT ACTIVITIES:**

Conducted annually by the University’s external auditing firm. The ORSP will also conduct various internal audits to ensure all grant deliverables are being met and in compliance. The funding agency (NSF, NIH, etc.) is free to conduct an audit at a moment’s notice.

**XII. RESEARCH ADMINISTRATION TRAINING:**

The ORSP, Office of Institutional Effectiveness, Provost and Office of Academic Affairs will conduct various trainings throughout the year to ensure subrecipient monitoring is in compliance with all laws and regulations. Certificates will be provided at the end of each training.

**XIII. EXCLUSIONS:**

In rare cases, there may be certain compelling circumstances where exclusions to this policy may be warranted. All requests for an exception to this policy must be in writing, signed by Dean, Provost and submitted in advance for evaluation by Director of ORSP.

All exception requests will be reviewed on a case-by-case basis and must include a detailed justification; it is important to provide as much information as possible to assist the reviewer in evaluating the request. After considering the request, the Director of ORSP will determine whether to grant or deny the exception and whether the exception, if granted, will be time limited.

**XIV. REFERENCES**

The Federal Demonstration Partnership – Subaward Templates

<https://thefdp.org/default/subaward-forms/>

**Document History**

*Approved by BOT: September 18, 2020*