Subject: Subrecipient Monitoring
From: William Marosy <marosy@rci.rutgers.edu>
Date: Mon, 23 Nov 2009 17:00:52 -0500
To: Grants General - Bloustein School Distribution <grants_ejb@email.rutgers.edu>, Chris Bruzios <bruzios@rci.rutgers.edu>, Bob Burchell <burchell@rci.rutgers.edu>, Carl Van Horn <vanhorn@rci.rutgers.edu>
CC: Linda Guardabascio <linda_g@rutgers.edu>

Recently, I attended a presentation given by the folks in the Division of Grant and Contract Accounting (DGCA) on the subject of 'subrecipient monitoring'. How (and how well) we monitor the work and expenditures of our subrecipients (subcontractors) is something that is receiving increased attention during audits being conducted of the University's federal grants and contracts. The key points re: PI responsibilities emphasized at the meeting were:

- Federal regulations require universities to closely monitor the work and expenditures of subrecipients (subcontractors) hired to work on federal awards.
- The PI should conduct on-site visits and/or maintain regular contact with all subrecipients
- PIs must oversee routine receipt and review of technical performance reports and address any noted deficiencies. PIs are expected to be able to provide evidence of their monitoring activity to auditors upon request (copies of technical/progress reports received, e-mail correspondence, notes documenting phone conversations, etc.)
- PIs must compare and review subrecipient actual expenses (on invoices) to the approved budget.
- Invoices from subrecipients should be in the format specified in the subcontract, and should contain a certification statement that is signed by an authorized fiscal officer of the subrecipient. These invoices should provide sufficient detail so that the PI can determine if the expenditures are appropriate for the work performed (sample invoice attached).
- PIs should also monitor the spending rate of the subrecipient. The Feds expect to see a steady rate of expenses for subrecipients as opposed to all expenses being charged on one invoice at the end of the subcontract period.
- Subrecipient invoices are not reviewed by our accounting folks for format, detailed information, and proper certification. The PI is solely responsible for doing this.
- The business manager's role is to assist the PI with his/her monitoring responsibilities

I have attached the Powerpoint presentation that provides further detail on this subject. Please make yourself familiar with these procedures.

-Bill M.
Mail Invoices To: 
Rutgers, The State University
Disbursement Control
Administrative Services Building I
65 Davidson Road, Room 302
Piscataway, NJ 08854

Rutgers Account#: 
Grant Period: 
Reporting Period: 
Rutgers Subcontract #: 
Rutgers Purchase Order #: 

Total Amount of Award $0.00
Total Amount Received to Date $0.00 Required Cost Sharing *$

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% = ______ of MTDC

TOTAL COSTS $0.00 $0.00 $0.00 $0.00 $0.00 $0.00

PAYMENT REQUESTED THIS INVOICE $0.00

*NOTE: Cost Sharing information must be provided if cost sharing is required.

Required for All Invoices:
"I certify that the above charges accurately represent actual expenditures incurred during the period reported under the terms and conditions of the subaward, that any prior approvals required have been obtained and that all expenses are allowable for this project."

Signature of Authorized Certifying Fiscal Official ______________________ Date ____________

Please Provide:
Name of Financial Contact ______________________ Telephone ______________________ Email Address ______________________

Required For FINAL Invoices Only:
"I certify that the above charges accurately represent actual expenditures incurred and personnel effort provided during the period reported, and that the applicable requirements of OMB Circulars A-21 and A-110 have been followed."

Signature of Subcontractor’s Project Investigator ______________________ Date ____________
Subrecipient Monitoring
Definitions

Subrecipient:
A legal entity to which a subaward is made and who is accountable to RU for the use of the funds provided to carry out a substantive portion of the University’s programmatic effort (scope of work) under a sponsored program.

Vendors are not considered subrecipients.

Subaward:
An award (also referred to as subgrant/subcontract/subagreement) of financial support from RU to a qualified organization for the performance of a substantive portion of the program funded under a RU sponsored program.
Definitions Continued

Subrecipient Monitoring:

The guidelines and procedures that are provided to ensure that subrecipients conduct their portions of the research projects in compliance with all governing regulations and that their expenses are reasonable and allowable as set forth by the standards stated by the sponsor and the government.
Subrecipient Monitoring

The federal regulations pertaining to subrecipient monitoring:

- **OMB Circular A-133**: “Audits of States, Local Governments and Non-Profit Organizations”
  - [http://www.whitehouse.gov/omb/assets/omb/circulars/a133/a133.pdf](http://www.whitehouse.gov/omb/assets/omb/circulars/a133/a133.pdf)

- **OMB Circular A-110**: “Uniform Administrative Requirements for Grants and Agreements With Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations”
  - [http://www.whitehouse.gov/omb/circulars_a110/](http://www.whitehouse.gov/omb/circulars_a110/)

- **Federal Acquisition Regulations (FAR)**
  (Primary for contracts)
  - [http://www.arnet.gov/far/](http://www.arnet.gov/far/)
Some Core Elements of the Regulations (Not an exhaustive list)

Subrecipient is not on Excluded Parties List System (EPLS)

RU must advise subrecipients of all applicable federal requirements by including appropriate flow-down provisions of the prime agreement in subaward terms and conditions

RU must oversee routine receipt and review of technical performance reports and address any noted deficiencies

RU must compare and review subrecipient actual expenses to approved budget

RU should conduct on-site visits and/or maintain regular contact with subrecipient

RU should perform audits, if necessary

RU must review A-133 audit reports to determine any findings pertaining to RU
  • If so, review and monitor any corrective actions taken by subrecipient
Factors Determining Frequency and Intensity of Monitoring

**Program Complexity**: Programs with complex compliance requirements have a higher risk of non-compliance.

**Percentage Passed Through**: The larger the percentage of subawards, the greater the need for subrecipient monitoring.

**Amount of Award**: Larger dollar awards are of greater risk. Other factors equal, large awards (i.e. annual budgets > $500k) should receive more substantial and/or more frequent review and monitoring.

**RU Prior Experience with Subrecipient**: A new subrecipient, an inexperienced subrecipient, history of non-compliance, audit findings, sophistication of subrecipient’s systems and administrative operations.

**Subrecipient location or for-profit status**: There is an increased risk associated with some foreign and for-profit subrecipients which dictates a greater degree of review and attention.

**Degree of external oversight by auditors or sponsoring agencies**

Higher risk Subrecipients Require More Frequent, Closer Monitoring.
Potential Indicators of High-Risk Subrecipients

- A qualified audit report, or failure to have a current audit report
- Inadequate response to a RU Financial Questionnaire
- History of non-compliance
- History of non-performance or failure to use funds for their authorized purposes
- New subrecipient (or new to this type of project)
- New personnel or systems
- Large subaward/large percentage pass-through
- Award size relative to subrecipient’s sponsored research portfolio
- Type of subrecipient (Is the subrecipient subject to A-133?)
Forms of Monitoring Activity

Reporting
  Reviewing financial invoices and performance reports submitted by subrecipient

Site Visits
  Performing site visits at the subrecipient to review financial and/or programmatic records

Desk Reviews
  Obtaining and reviewing supporting documentation from subrecipient for questionable costs

Regular Contact
  Regular contact with subrecipients and appropriate inquiries concerning program activities
Who is responsible for Subrecipient Monitoring?

- ORSP
- DGCA
- Principal Investigator (PI)*
- Department Research Administrator/Business Manager*

* This session will focus on the PI and Research Administrator/Business Manager’s Roles and Responsibilities
PI’s Role and Responsibilities

**Primary responsibility**, on an ongoing basis throughout the life of the project to monitor the activities of the subrecipient in accordance with the governing (prime award) agreement; to assure that awarded funds are used for authorized purposes in compliance with federal regulations, RU and sponsoring agency policies; and to ensure that the performance goals are achieved.

- Ensures compliance with subaward monitoring guidelines
- Maintains documentation to support monitoring activities
- Ensures all required programmatic reporting is current
- Certify/Approve all subrecipient invoices in consultation with department research administrator/business manager
- Keep detailed records of communications regarding unsatisfactory performance by subrecipient
- Determines and takes the appropriate steps when a subaward needs to be issued and amended (i.e. additional funding, extension of time, etc.)
Department Research Administrator/Business Manager’s Role and Responsibilities

Provides assistance to the PI with their monitoring responsibilities, reviews all subrecipient invoices for compliance before PI certifies to release payment, and investigates questionable expenditures from subrecipient, as necessary

- Ensures subawards are properly budgeted in proposals
- Completes the RU subaward checklist for issuance of subaward
- Monitor subrecipients deemed to have a greater risk closely and frequently
- Maintains supporting documentation of all monitoring activities
- Ensures all required subrecipient financial and closeout documents are current
- Monitor subrecipient’s invoices to ensure that costs are appropriate, certified, and paid timely
Monitoring Guidelines

Review of technical performance reports

PIs should require periodic (no less frequently than annually) reviews of scientific and/or technical reports from their collaborator

• Informal progress reports via phone conversations, email communications, or face to face discussions with his collaborator

• Formal progress reports should be retained on file in department for audit purposes

Any unusual items should be investigated, documented and retained in the department’s files.

If there are technical deficiencies that may require the PI to consider terminating the subaward, this must be documented in writing and forwarded to ORSP/DGCA.
Monitoring Guidelines Continued

Review of Invoices

The invoice must indicate the approved budget by line-item and reflect both current and cumulative expenses for each line-item.

Appears reasonable based upon the technical progress of the project

Expenses reported are within the budget parameters of the subaward/prime agreement and within the start/end dates of project stipulated in the executed subaward.

Ensures the invoice does not overlap or duplicate a previously submitted invoice

Ensures that an open, valid purchase order for the subaward is referenced.

Ensures the final invoice for the project, is marked “FINAL” and received by the final reporting due date of the executed subaward

Ensures all invoices contains a signature of subrecipient’s institutional official (i.e. from accounting, finance, sponsored project’s office) with a statement certifying the costs are in compliance with A-21 and/or sponsor requirements

**Important:** The subrecipient’s PI’s signature and separate certification must also be on the FINAL invoice before releasing payment
Clarification of Invoiced Charges: Any charges which appear to be unallowable, unusual or excessive must be investigated and resolved by the PI/department research administrator/ business manager prior to releasing payment.

First, request clarification or further justification from subrecipient contact, named on the invoice

If insufficient to render a prudent judgment on the allowability of the cost, request supporting documentation from subrecipient

Particularly from higher-risk subrecipients, may periodically request detailed support for selected invoiced charges to verify appropriateness and reasonableness. Some examples are:

- Payroll records
- Copies of paid invoices to vendors
- Description of services rendered by consultants, including hourly rates and time reports
- Detail of travel charges incurred
Unallowable or Unreasonable Costs

Should be disallowed and deducted/off-set from current invoice

In circumstances where questionable costs remain unresolved, it may become necessary to conduct more definitive monitoring procedures

Invoices should not be approved for payment until all issues or concerns have been resolved
Other Considerations and Reminders

Cost-sharing
If required, is the amount clearly reflected on invoice?

Are they spending cost-sharing dollars at the same rate as the award dollars?

Is the type of cost-sharing provided in accordance with what was designated as acceptable cost-sharing per the executed agreement?

ARRA
Is the spending rate reasonable?

Has RU (PI and DGCA) received the required ARRA reporting information from subrecipient? Please confirm with DGCA accountant.

Final Invoices
Does the PI have a copy of the subrecipient’s final technical report? If so, retain a copy for file for audit purposes

Has the subrecipient submitted all their closeout documents to DGCA such as patent reports, property reports, etc? Please confirm with DGCA accountant

Is the final marked “FINAL”? If not, need to obtain one by required due date

Does the final invoice reflect both signatures and certification statement of both the subrecipient’s PI and authorized official? If not, do not pay until you do.
What does it mean when a PI certifies a Subrecipient’s Invoice to release payment?

The PI is satisfied with the performance of the subrecipient as of the time period covered on invoice.

The subrecipient has satisfactorily submitted to RU all required interim/final financial, technical and closeout documents due.

The expenses and required cost-sharing shown are allowable and reasonable in accordance with the subaward and prime agreements’ terms and conditions.

All the monitoring guidelines have been adhered to.