

## Subrecipient Monitoring Guidelines & Procedures

Nevada System of Higher Education (NSHE), Sponsored Programs and EPSCoR unit is responsible for the programmatic and financial monitoring of its sponsored awards and subrecipient. A subrecipient is a third-party organization performing a portion of NSHE research projects or other sponsored programs. The terms of NSHE-subrecipient relationships are documented in subaward agreements.

These guidelines and procedures are provided to assist responsible faculty and staff in ensuring that subrecipients conduct their portions of research projects or other sponsored programs in compliance with laws, regulations and terms and conditions of awards and subawards and that project costs incurred by subrecipients are reasonable and allowable.

### Roles and Responsibilities:

1. Principal Investigators (PIs) have primary responsibility for monitoring subrecipients to ensure compliance with federal regulations and both prime and subrecipient award terms and conditions.
2. Department grant administrators have responsibility for assisting PIs in discharging their monitoring responsibilities, for reviewing invoices from subrecipients and questioning expenditures if necessary, and for maintaining documentation of monitoring efforts.
3. The System Sponsored Programs and EPSCoR Office (SPO) has the responsibility for ensuring that the NSHE's subrecipient monitoring procedures are compliant with federal and other applicable regulations and are consistent with sound business practices. SPO will provide further training, monitoring and guidance in interpreting applicable regulations and subrecipient award terms and conditions, and in interpreting and executing these guidelines.

### Federal Regulations

The federal regulations that describe subrecipient monitoring are general, but contain the following core elements of compliance:

- Advising subrecipients of all applicable federal laws and regulations, and all appropriate flow-down provisions from the prime agreement;
- The routine receipt and review of **Technical Performance Reports**;
- The routine **Review of Expenses-to-Budget**;
- The periodic performance of **On-site Visits**, or regular contact, if necessary;
- The option to perform "**audits**" if necessary;
- Review of A-133 audit reports filed by subrecipients and any audit findings;
- Review of **corrective actions** cited by subrecipients in response to their audit findings; and/or
- Consideration of sanctions on subrecipients in cases of continued inability or unwillingness to have required audits or to correct non-compliant actions.

The above list is not exhaustive of all compliance requirements. In addition to the general elements of compliance noted above, there may be additional sponsor- or program-specific

requirements that mandate collecting and documenting other assurances during the course of a project.

### **Subrecipient Monitoring Guidelines**

On an annual basis, SPO research administrators will review all active subawards for which monitoring is mandated and inquire further into those that are deemed to require closer scrutiny in light of considerations such as:

- Size of the subrecipient award. Large awards (for example with annual budgets >\$500K) would receive substantial and frequent review and monitoring; mid-sized awards (annual budget \$100K - \$500K) would receive proportionately less substantial and less frequent monitoring; smaller awards (<\$100K) would receive general review with the least frequent oversight;
- Award size relative to the subrecipient's sponsored research portfolio;
- Percentage passed through: the larger the percentage of program award passed through, the greater the need for subrecipient monitoring;
- Award complexity, sensitivity of the work and/or extensiveness of the governing regulations;
- Prior experience with the subrecipient, e.g. a new subrecipient, an inexperienced subrecipient, a history of non-compliance, having new personnel, or having new or substantially changed systems;
- Subrecipient location or for-profit status (remoteness from the state may mandate more oversight); increased risk associated with some foreign and for-profit subrecipients dictates that they would merit a greater degree of review, evaluation and attention;
- Degree of external oversight by auditors or sponsoring agencies. Note that NSHE is obligated to monitor subrecipients of its federal awards, regardless of the subrecipients being subject to A-133 audits; and
- Sophistication of the subrecipient's systems and administrative operations.

Upon identification of subrecipients that mandate closer scrutiny, based on the above review criteria, SPO administration office in southern Nevada will take appropriate monitoring actions to ensure compliance with subaward performance, financial terms and conditions, and with all applicable federal rules and regulations. SPO will coordinate communications with the pre-award offices at each campus.

In addition to routine monitoring procedures, SPO research administrators will work with PIs and department administrators to establish channels of communication with subrecipients that require further scrutiny. In addition, subrecipients that are not subject to A-133 may be asked to submit supporting documentation in the form of original receipts, copies of payroll records, audits, etc. if circumstances warrant.

### **Subrecipient Monitoring Procedures**

Research administration staff and project directors should annually consider the following subrecipient monitoring procedures when appropriate:

- **Review of Technical Performance Reports** should be done on a timely basis by the PI. Any unusual or unforeseen items should be investigated and documentation thereof should be retained in the department's files for ready access by regulators. In some cases, subaward terms may require specified deliverables in addition to, or in lieu of, technical reports.
- **Review of Invoices and Expenses-to-Budget** should be done for cost-reimbursement subawards. The subrecipient's invoices showing both current period and cumulative expenses-to-budget are generally required. SPO research administrators should compare subrecipient invoices to established subaward budgets.
- **Clarification of Invoiced Charges** should be requested by SPO research administrators for explanations of any unusual, miscellaneous, apparently excessive or other charges invoiced by the subrecipient. If the explanations are not sufficient to render a prudent judgment on the allowability of the cost, and the terms of the subaward permit, SPO research administrators may request detailed justifications from subrecipients. SPO research administrators may also periodically request, if the terms of the subaward permit, particularly from high-risk subrecipients detailed support for selected invoiced charges to verify their appropriateness and reasonableness. Examples of detailed justifications that may be requested from subrecipients include:
  - Payroll records/data;
  - Details of incurred travel charges, stating the purpose, airfare, meals, ground transportation, unallowable costs, etc.;
  - Costs determined to be unallowable or unreasonable should be disallowed;
  - In circumstances where questionable costs remain unresolved, particularly when subaward terms do not permit requesting supporting documentation, it may become necessary to conduct a definitive audit of all or a portion of questionable costs. (See **Audits** below) In these cases, the SPO will contact the campus for coordination of subsequent actions with the appropriate campus sponsored projects office/grants division.
- **On-site Visits** - are a discretionary monitoring procedure. On-site visits conducted by the PI to evaluate both compliance with the scientific objectives of the project and the appropriateness of the subrecipient's administrative systems, processes, and charges should be documented via correspondence, meeting notes, trip reports, etc. and retained on file.
- **Audits** - discretionary audits of subrecipients are an acceptable monitoring procedure under federal regulations, and all of the SPO's cost-reimbursement. subrecipient agreements contain "right-to-audit" clauses.
- **Review A-133 audit reports on-line** - SPO research administrative staff should have access to a current copy of the A-133 reports filed by subrecipients that expend \$500,000 or more of federal funds during the fiscal year and are subject to A-133. In cases of continued inability or unwillingness of a subrecipient to have the required audits, SPO may consider taking appropriate sanctions.

- **When subrecipients have A-133 audit findings** – SPO may consider issuing a management decision on audit findings, when appropriate, and evaluate subrecipient corrective actions cited in response to audit findings. Corrective actions cited by the subrecipient should be verified to ensure subrecipient compliance and may necessitate on-site monitoring. SPO may also consider whether subrecipient audit findings necessitate adjustment of their own records.
- **Subrecipients not subject to A-133, including foreign and for-profit entities** – Because A-133 does not apply to foreign or for-profit subrecipients, SPO may establish its own requirements, as necessary, to ensure compliance by such subrecipients. Contracts with foreign or for-profit subrecipients should describe applicable compliance requirements and responsibilities. Methods to assess compliance with federal subawards made to foreign or for-profit subrecipients may include pre-award audits or on site monitoring.