

FLORIDA STATE UNIVERSITY

POLICY 7A-23

SUBRECIPIENT MONITORING POLICY

Responsible Executive: Gary K. Ostrander, Vice President for Research

Approving Official: Gary K. Ostrander, Vice President for Research

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I. Introduction

This document establishes a policy for ensuring that all subrecipients conduct their portion of a sponsored activity in accordance with all applicable laws, regulations, and award/subaward terms and conditions, and that costs incurred by subrecipients are reasonable, allocable and allowable.

II. Policy

Florida State University (FSU), as a prime recipient, is responsible for ensuring that all awarded sponsored activities, including that of its subrecipients, are compliant with award terms and conditions and applicable federal and state regulations.

FSU shall monitor subrecipients as necessary to ensure that federal and state awards are used for authorized purposes in compliance with all applicable laws, regulations, and the provisions of award agreements and that performance goals are achieved.

**Background**

FSU is responsible for the programmatic and financial monitoring of its subrecipients. These guidelines and procedures are provided to assist responsible faculty and staff to ensure that subrecipients conduct their portions of the sponsored activity in compliance with all applicable laws, regulations and award/subaward terms and conditions and that sponsored costs incurred by subrecipients are reasonable, allocable and allowable.

**Regulations**

The following procedures detail the core elements of a sound subrecipient monitoring enterprise:

1. Review single/independent audit reports filed by subrecipients and any audit findings.
2. Issue a management decision for audit findings pertaining to the subaward.

3. Determine audit risk for subrecipients to determine the appropriate monitoring tools for compliance.
4. Ensure that subawards include all applicable laws and regulations, and all appropriate flow-down provisions from the prime agreement.
5. Review corrective actions cited by subrecipients in response to their audit findings.
6. Routine receipt and review of Technical Performance Reports.
7. Routine review of expenses relative to approved budget.
8. Periodic on-site visits, or regular contact, if necessary.
9. Perform audits, if necessary.
10. Consider sanctions on subrecipients in cases of continued inability or unwillingness to have required audits or to correct non-compliant actions.

## **Responsibilities**

### **Principal Investigator (PI):**

The PI, at the time of the prime agreement proposal preparation, should receive from the potential subrecipient a letter of support/cooperation signed by an authorizing official, a budget, supporting documentation for subrecipient costs, and the agreed upon scope of work. Other information may be required by the sponsor, depending on the proposal preparation guidelines.

The PI, along with Sponsored Research Administration (SRA), is responsible for ensuring that subaward costs are reasonable, allocable and allowable according to requirements of the prime award, federal and state regulations, 2 CFR §200 and FSU policies, as applicable.

Once FSU has accepted an award from a sponsor which contains a provision for a subrecipient, the PI will, as needed, assist SRA with the negotiation of the subaward and any amendments thereto.

The PI is responsible for providing source selection documentation up front. This documentation may include but is not limited to justification for sole source selection, evidence of competitive selection, etc.

The PI also determines when a subaward is to be amended and is responsible for conveying the needed changes timely to SRA for amendment preparation.

The PI must review Technical Performance Reports and/or specified deliverables on a timely basis. Any unusual or unforeseen items should be investigated, SRA notified, and documentation retained in the department's files.

The PI must ensure that invoiced costs are reasonable, allocable, allowable and within the funding limits of the agreement with the subrecipient, prior to certification of the invoice authorizing payment by SRA.

The PI is responsible for understanding the subrecipient monitoring plan and assisting Sponsored Research Administration (SRA) as needed in their monitoring activities.

#### Sponsored Research Administration (SRA):

The determination of the potential need for a subaward to a business/organization is normally made at the prime proposal stage. This will also include the determination of the nature of the relationship between the parties i.e., contractor vs. subrecipient as outlined in 2 CFR §200.330. The PI must be prepared to justify the selection of the potential subrecipient.

SRA will determine the proposed subrecipient's eligibility to receive federal and/or state funds, including verifying that they are not on the Debarred and Suspended list.

SRA will review the PI's financial conflict of interest with the subrecipient and forward any concerns to the Director of Research Compliance Programs for resolution.

SRA is responsible for developing, negotiating and signing the subaward document on behalf of FSU. Any changes to the subaward must be mutually agreed upon in writing by both parties. Under no circumstances should a subcontractor be authorized to start work without a fully executed subaward issued by SRA.

SRA is responsible for the inclusion in the subaward of all applicable federal/state requirements and other applicable regulations, for disclosures, and for obtaining the proper signatures on the subaward. The subaward will specify the source of the funds (e.g., name of the sponsor, federal or state agency, CFDA title and number, award name, etc.) and all audit requirements.

The budget for the subaward could include both direct and facilities and administrative (F&A) costs. If F&A costs are included, a copy of the subawardee's current F&A rate Agreement (if applicable) will be obtained. The scope of work must outline the work to be accomplished by the subawardee and identify deliverables, products or expected outcomes that support the overall project.

SRA is responsible for all negotiations of the subaward and its amendments. Any changes to the subaward document requested by the subawardee must be approved by SRA with the involvement of the PI and, if necessary, legal counsel.

SRA will review subrecipient requests for payment along with the PI to ensure that the expenditures conform to the terms and conditions of the subaward.

## **Subrecipient Monitoring Plan**

This plan includes, but is not limited to:

1. Establishing an annual schedule as to when monitoring procedures will be performed during the year.
2. Identifying subrecipients receiving federal flow through funds and the amount of each subaward.
3. Sending out the annual subrecipient audit verification letter.
4. Following up with subrecipients that do not respond to the audit requests.
5. Establishing criteria to identify when subrecipient audit findings are significant enough to warrant further review, on site visits and/or sanctions (discussed below).
6. Identifying subrecipient organizations that will be visited or reviewed further (discussed below).

## **Annual Subrecipient Audit Verification**

On an annual basis, SRA will verify that subrecipient organizations have completed their 2 CFR §200 Subpart F Audit Requirements single audit, or independent audit, as applicable.

## **Subrecipient Audit Findings Follow-up**

SRA will review the audit reports from the subrecipients. In the event that SRA has concerns about the audit report or the corrective action plan(s), the subrecipient will be contacted to resolve those issues. If the subrecipient does not respond to SRA's concerns in a timely manner, SRA will present the issues to the PI and SRA management.

When any of the following conditions are present in the subrecipient's single/independent audit report:

- Control weakness;
- Findings related to funds passed through by the University to the subrecipient;
- Subrecipient refuses to provide requested audit confirmations and/or audit reports.

SRA management will determine an appropriate course of action which may include, but is not limited to, one or more of the following:

- Determining the adequacy of the subrecipient's corrective action plan;
- Facilitating an audit of the subrecipient's project related records;
- Suspension of payments, requesting refunds, or revocation of the subcontract.

## **Subrecipient Site Visits/Further Review**

On an annual basis, FSU will select subrecipients for which site visits and/or expenditure reviews will be performed. A risk based approach will be used to select the subrecipients that will be reviewed and/or visited. The following criteria will be used when making this determination:

- Dollar amount of the award.
- Award complexity, sensitivity of the work and/or extensiveness of the governing regulations.
- Inherent risk given the nature of the research.
- Sophistication of the subrecipient's systems and administrative operations.
- Prior experience with the subrecipient including the extent and severity of past audit findings.
- Location of the subrecipient.
- Degree of oversight by auditors and sponsor agencies.

### III. Legal Support, Justification, and Review of this Policy

Federal requirements; OMB Circular A-21 and OMB Circular A-133 were replaced by 2 CFR §200 effective December 26, 2014.

Fla. Stat. 1004.22. These policies will be reviewed when changes are necessary.

Gary K. Ostrander, Vice President for Research

February 19, 2015