



University of Pittsburgh

SPONSORED PROJECT

FINANCIAL GUIDELINE

Subject: SUBRECIPIENT MONITORING

I. Scope

Subrecipient monitoring is the process by which the University selects, monitors, controls, and accounts for University subcontractors or subrecipients utilized on sponsored projects in accordance with federal regulations. The University incurs millions of dollars in subrecipient costs annually on sponsored awards.

Therefore, the integrity of the subrecipient monitoring system is integral to the University's control and compliance system.

Subrecipient monitoring, with respect to grants and contracts, is a risk-based monitoring process that mitigates the risk that organizations may inappropriately charge the sponsor(s) for services that were never provided; services that were inadequate or did not meet grant requirements; services that were mispriced; services that were not negotiated in an arms-length transaction, or other unallowable charges.

This guideline establishes the requirements for subrecipient monitoring related to sponsored projects in accordance with federal regulations, other agency regulations, and a proper system of internal accounting controls in accordance with Office of Management and Budget (OMB) *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (2 CFR Part 200)* ("Uniform Guidance").

II. Roles and Responsibilities

Principal Investigator (PI)

- PIs have primary responsibility for subrecipient monitoring. This includes:
 - selecting subrecipients based on their technical capability and ability to perform under the terms of the award
 - assessing the risk of entering into an agreement with a subrecipient (also see Section IV Risk Assessment)
 - establishing and maintaining appropriate channels of communication with subrecipients including on-site visits, as required
 - monitoring subrecipients to ensure adequate performance through regular communication and review of technical reports
 - monitoring subrecipients to ensure compliance with federal regulations and both prime and subrecipient award terms and conditions
 - approving subrecipient invoices for payment

Departmental Research Administrator

- Department research administrators are responsible for:
 - assisting PIs in discharging their monitoring responsibilities



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- reviewing invoices from subrecipients, monitoring compliance with federal and other agency regulations and questioning expenditures, when necessary
- reviewing routine budget vs. actual reports
- maintaining documentation of monitoring efforts

Office of Research

- The Office of Research is responsible for:
 - determining the appropriate type of subaward agreement to be issued
 - advising subrecipients of all applicable federal laws and regulations and all appropriate flow down provisions from the prime
 - completing the Subrecipient Monitoring – Risk Assessment Form in conjunction with the Financial Compliance for Research Department
 - verifying that the subrecipient is not debarred or suspended from receiving federal funds
 - signing the subrecipient or subcontract award

Financial Compliance for Research Office (FCR) (Note: FCR is a department within the Controller's Office)

- FCR is responsible for:
 - ensuring that the University's subrecipient monitoring procedures are compliant with federal and other applicable regulations and are appropriately documented in this guideline
 - reviewing the Subrecipient Monitoring – Risk Assessment Form and determining the appropriate risk level for each subawardee
 - reviewing subrecipient's Single Audit Report via the Federal Audit Clearinghouse and assessing associated audit findings
 - monitoring subrecipients which do not have a Single Audit Report via review of financial reports, direct discussions with the entity and other suitable means
 - reviewing and evaluating corrective actions cited by subrecipients in response to their audit findings
 - determining appropriate response to audit findings including requesting further information and/or audits and consideration of sanctions
 - reviewing departmental procedures for subrecipient monitoring and performing periodic compliance reviews of those procedures, particularly those subrecipients identified as medium and high risk



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III. Definitions

Cost Reimbursable – a type of sponsored project that permits the reimbursement of costs by a sponsor on the basis of costs specifically identified to and incurred on that project.

Departmental Research Administrator – the individual designated by the department or Principal Investigator who is responsible for the financial accounting, budgeting and administration of the department's sponsored awards.

Direct Cost (or activities) – those costs (or activities) that can be identified specifically with a particular sponsored project, an instructional activity, or any other institutional activity and that can be directly assigned to such activities relatively easily and with a high degree of accuracy.

Fixed Price – a type of sponsored project that permits reimbursement for services or products based on a pre-determined price or fixed fee per unit of service or product.

Indirect or Facilities and Administrative (F&A) Costs (or activities) – those costs (or activities) that are incurred for common or joint objectives and therefore cannot be identified readily and specifically with a particular sponsored project, an instructional activity or any other institutional activity.

Prime Recipient – the direct recipient of funds to support a sponsored research project.

Principal Investigator – the individual designated by the sponsoring agency who is responsible and accountable for the proper conduct and direction of the project or activity. A principal investigator for sponsored programs is typically a tenured or tenured stream faculty but can also include other members of the academic community such as research associates or non-tenure stream research/clinical faculty.

Sponsor – a third-party provider or source of grant or sponsored project funds to the University.

Sponsored Project – a project funded by a grant, contract or cooperative agreement under which the university agrees to perform a certain scope of work, according to specified terms and conditions, for specific, budgeted, monetary compensation.

Subrecipient (subcontractor or subawardee) – A subrecipient is a third-party organization performing a portion of a University sponsored project; the terms of which are documented in a sub-grant/subcontract/consortium agreement.



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Vendor/Contractor – A dealer, distributor or merchant providing goods or services required for the conduct of a sponsored project. Goods and services are typically provided within normal business operations and the vendor operates in a competitive environment. The goods and services are ancillary to the operation of the sponsored project and the vendor is not subject to the compliance requirements of the project.

IV. Risk Assessment

A proper system of internal controls over subrecipient monitoring begins with a risk assessment of each subrecipient. In accordance with the Uniform Guidance (200.331(b)), all pass-through entities must “Evaluate each subrecipient’s risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining the appropriate subrecipient monitoring...”

This assessment and evaluation includes the following considerations:

- Prior history with University of Pittsburgh – those entities with which the University has not had a previous relationship should be monitored more closely than those which have an established positive relationship with the University.
- Foreign or domestic entity – foreign entities may require a higher degree of monitoring due to differences in control structure and reporting requirements
- Maturity of organization – relatively new organizations may require more monitoring than those which are more established.
- Subject to Single Audit – such entities will be able to provide a Single Audit report, which will detail any shortcomings or deficiencies in internal controls. Entities not subject to Single Audits may require a review of financial or other reports to determine the effectiveness of internal controls.
- Top 100 research institution – those institutions ranked in the top 100 in total sponsored funding (as measured by the annual National Science Foundation (NSF) Higher Education R&D Survey) typically have sound internal control structures and would not require the same level of monitoring as those institutions that do not have a significant volume of sponsored funding.
- Subaward size in absolute dollars – small dollar awards may warrant less intensive monitoring procedures due to materiality.
- Subaward size relative to the size of the prime award – subawards which are a small percentage of the total prime award may warrant less intensive monitoring procedures.



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V. References

OMB Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (2 CFR Part 200.331)