

# Subrecipient Monitoring: Procedures

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**Last Revised:** July 2006

**Responsible College Officer**  
Associate Controller for Research

**Responsible Office**  
Research Accounting

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## Procedure Statement

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The purpose of this document is to assist the Weill Medical College (WMC) of Cornell University's faculty and staff in ensuring that subrecipients conduct their portions of research projects in compliance with laws, regulations and terms and conditions of awards and subawards and that project costs incurred by subrecipients are reasonable and allowable.

For information and procedures on pre-award execution and setup of subawards, please see WMC's procedure: *Subaward Execution and Approval: Procedures*.

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## Reason for Procedure

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WMC is responsible for the programmatic and financial monitoring of its sponsored research award subrecipients. A subrecipient is a third-party organization performing a portion of the scope of work on WMC research projects or other sponsored programs. The terms of WMC subrecipient relationships are documented in subaward, subcontract, or consortium agreements. These procedures delineate specific business activity that should be performed in managing subrecipients of sponsored research awards.

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## Who Should Know These Procedures

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- Dean
- Senior Administration – Vice Provosts, Associate Deans
- Director, Department Chair, Division Head
- Faculty
- Departmental/Divisional Administrators
- Finance Personnel – Research Accounting, Accounting Services
- Grants & Contracts Personnel
- Research Compliance Personnel
- Research Integrity Personnel
- All Employees
- Information Technology Personnel

- Human Resources Personnel
- Students

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## Contacts

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Subject	Contact	Phone	Email
Policy questions	Kevin McGrath	(212) 680-7125	<a href="mailto:kjmcgra@med.cornell.edu">kjmcgra@med.cornell.edu</a>
Accounting questions	Randy Phillips	(212) 680-7131	<a href="mailto:rphilli@med.cornell.edu">rphilli@med.cornell.edu</a>
Institutional research compliance issues	Barbara Pifel	(212) 821-0722	<a href="mailto:blp2001@med.cornell.edu">blp2001@med.cornell.edu</a>

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## Applicable Federal Regulations

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These procedures are directed by and consistent with the March 2004 revision to the Office of Management and Budget (OMB) A-133 Compliance Supplement M. While the Federal government has issued these regulations to govern the management of subrecipient activity on Federal awards, WMC conducts this level of management oversight on all sponsored awards.

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 and other audit reports filed by subrecipients
- Review of corrective actions cited by subrecipients in response to their audit findings
- 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 (e.g. on lab animals, human subjects, biohazards, etc.) during the course of a project.

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## Subrecipient Monitoring

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To meet WMC's obligations to manage subrecipient activity, the following procedures serve as the minimum level of expected business activity with respect to managing subrecipient activity. These procedures reflect the expectations of federal regulations that govern subrecipient activity. Principal Investigators (PIs) have primary responsibility for monitoring subrecipients to ensure compliance with Federal regulations, and both prime and subrecipient award terms and conditions. Finance and central research administration have responsibility for ensuring that WMC's subrecipient monitoring procedures are compliant with Federal and other applicable regulations and are consistent with sound business practices.

While the rest of this document focuses on financial risk monitoring of subrecipients, the following is a summary of tasks various units at WMC shall perform with regard to subrecipients of its sponsored awards:

#### **Principal Investigators / Department Administrators**

- Proactively monitor the costs charged by subrecipients in support of work performed on the subaward. See Post-Award Procedural Compliance (Invoices) below for specific monitoring procedures.
- Monitor subrecipients to ensure compliance with Federal regulations and both prime and subrecipient award terms and conditions.

#### **Finance**

- Proactively monitor the activities of subrecipients as appropriate, and given the subrecipient's level of risk, to confirm that subrecipient funding is used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved. See Post-Award Procedural Compliance (Progress Monitoring) below for specific monitoring procedures.
- Confirm that subrecipients expending \$500,000 (for fiscal years ending after December 31, 2003) or more in awards during the subrecipient's fiscal year have met the A-133 audit requirements for that fiscal year. Identify any material weaknesses or reportable conditions that result from the A-133 audit.
- Make a management decision on audit findings within six months after receipt of the subrecipient's audit report, and confirm that the subrecipient takes appropriate and timely corrective action. If a material weakness or other reportable condition exists, monitoring of the subrecipient should be increased per the procedural recommendations outlined below.
- Consider whether subrecipient audits necessitate adjustment of WMC's financial records.
- Require each subrecipient to permit WMC and its auditors to have access to the subrecipient's pertinent records and financial statements, as necessary.

#### **Grants & Contracts or Institute for Clinical Research**

- Inform subrecipients when they are subject to Federal regulations as a result of receiving Federal funding. For Federal awards, WMC should inform each subrecipient of the CFDA title and number, award name and number, award year, if the award is research and development, and name of Federal agency. When some of this information is not available, WMC shall provide the best information available to describe the Federal award to the subrecipient.
- Advise subrecipients of requirements imposed on them by Federal laws, regulations, and the provisions of contracts or grant agreements, as well as any supplemental requirements imposed by the pass-through entity.

#### **Conflict Advisory Panel**

- Identify and eliminate or manage any conflict of interest arising from a proposed subaward by WMC to an entity in which WMC or its faculty member has a financial interest or fiduciary relationship.

## Risk Monitoring

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It is the responsibility of Finance (Research Accounting) to confirm that the subrecipient's risk profile remains appropriate for a continuing relationship with WMC. Before a subaward is finalized, a pre-award risk assessment is conducted by WMC in either of these circumstances: if the subrecipient organization is a unique organization or has not had a previous relationship with WMC or if the subrecipient award is greater than \$500k. There is an initial review of any significant risk factors contained in the subrecipient's A-133 audit (found in the Federal Audit Clearinghouse database). If the subrecipient does not have A-133 audit information available, (See Section *Pre-Qualification of Subgrantees of Subaward Execution and Approval: Procedures*), Research Accounting pre-qualifies potential subrecipients by approving the *Subrecipient Information Form*. This pre-award risk assessment is important so that a variety of financial and organizational information is known about the subrecipient in the pre-award phase.

Annual subrecipient maintenance includes those activities undertaken to mitigate the risk of contracting with a subrecipient (or third-party) organization. A "risk-based" approach to continued subrecipient monitoring is recommended, with the frequency and intensity of monitoring driven by (1) the terms of the grant award, and (2) potential risk factors outlined below.

At least annually, it is the responsibility of Research Accounting to gather updated information and documentation on the subrecipient's organization, financial stability, and financial processes and controls. Pertinent information that should be accumulated, reviewed, and analyzed includes but is not limited to:

- Annual financial statements
- Annual audit reports or A-133 audit certification letter
- Certification that institutional management letters do not indicate any control weaknesses
- Financial questionnaires for non A-133 subrecipients

The annual subrecipient monitoring activities should be driven by several factors, including but not limited to:

- Whether the potential subrecipient is subject to an A-133 audit
- 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
  - As a guideline, large awards (> \$500k) will receive substantial and frequent monitoring; mid-sized awards (annual budget \$100k to \$500k) will receive proportionately less substantial and less frequent monitoring; smaller awards (< \$100k) will receive general review and the least frequent oversight
- Award size relative to the subrecipient's sponsored research portfolio
- 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 (remoteness from WMC might require more oversight)
- Type of subrecipient organization (for-profit / not-for-profit / foreign / domestic)
- Degree of external oversight by auditors or sponsor agencies
- Organizational and individual conflict of interest

Research Accounting has ultimate responsibility for determining the activities that will be undertaken to evaluate subrecipient organizations annually, as well as to communicate changes in the subrecipient risk profile to Grants and Contracts, or the Institute for Clinical Research, and University Counsel (as appropriate) to determine what corrective actions should be taken.

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## Post-Award Procedural Compliance

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### Progress Monitoring, Technical Reports, and Deliverables

This procedure requires that PIs and department administrators monitor subrecipients to ensure compliance with Federal regulations and both prime and subrecipient award terms and conditions, as well as the progress of subrecipients. The PI bears responsibility for determining whether the subrecipient scope of work is on schedule, using a variety of means to make this determination. The frequency and scope of post-award departmental monitoring procedures should be determined by Finance and the responsible PI according to the "risk-based" approach described in the Risk Monitoring section of this document.

- The PI should review and evaluate the subrecipient's progress (e.g., phone conversations, email communication, face-to-face discussion, on-going dialogue), technical reports, or other deliverables, as appropriate, to make periodic determinations about the subrecipient's overall progress.
- If technical reports are required on the part of the subrecipient, such reports should be collected, reviewed, and evaluated in a timely manner, as well as other deliverables specified in the subaward.
- Unusual or unforeseen items outlined in or omitted from the technical reports should be investigated.
- All subrecipient technical reports should be retained on file in the department and should be readily accessible for College auditors, sponsoring agency auditors, or other Federal regulators.

### Invoices

The PI and Finance (Research Accounting) must work together to review and ensure all invoices from subrecipients are consistent with the established scope of work. The PI receives the invoice from the subrecipient and ensures that it meets the standard format (described below). PIs, with the assistance of departmental administrators, review the invoice to ensure that charges are as expected and do not represent a significant over-expenditure, or under-expenditure, against the budget. The PI will approve and sign-off on subrecipient invoices to indicate acceptable progress on the project. The invoice should then be forwarded to Research Accounting, where it will be approved centrally and payment will be processed.

This procedure requires that subrecipient invoices are submitted in a standard WMC approved format or, if submitted in an alternate format, contain a minimum level of information including but not limited to:

- Name of subrecipient
- Date of invoice
- Invoice number
- Purchase order number (if applicable)
- Period of performance covered by invoice
- Description of services reflected by billings
- Current period costs (with sufficient detail)
- Cumulative project costs as compared to the expense budget
- Subrecipient contact person with respect to the invoice
- Statement that the funds expended are reasonable, allowable, and allocable
- Statement that the costs are in compliance with the terms and conditions of the agreement

If, after review of the invoice, an issue or concern with the subrecipient is identified, it is the PI's responsibility to work with the subrecipient to resolve that issue or concern before invoices will be paid. PIs, or their departmental administrators, should request clarification of any unusual, miscellaneous, or apparently excessive or potentially unallowable charges invoiced by a subrecipient. If the explanations

are insufficient to render a prudent judgment on the allowability of the cost, the PI or department administrator must request detailed justifications and support from subrecipients. Examples of detailed justifications and support include but are not limited to:

- Payroll records / data
- Copies of paid invoices showing the cost of items purchased and vendor justification forms if required by Federal contract
- Descriptions of services rendered by consultants including hourly rates and time reports
- Details of incurred travel charges, stating the purpose, airfare, meals, ground transportation, unallowable costs, etc.

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## Roles & Responsibilities

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Responsibilities	PI	Dept Admin	Finance
Receive subrecipient invoice	P	S	
Ensure all invoices from subrecipients are consistent with the established scope of work	P	S	
Review the invoice to ensure that charges are as expected and are aligned with the budget	P	S	
If technical reports are required on the part of the subrecipient, such reports should be collected, reviewed, and evaluated in a timely manner, as well as other deliverables specified in the subaward	P	S	
Approve that work was done by the subrecipient	P	S	O
Work with the subrecipient to resolve any issues or concerns before invoices will be paid	P	S	
Send subrecipient invoices to Research Accounting	P	S	
Process payment of subrecipient invoices			P
Gather updated information and documentation on the subrecipient's organization, financial stability, and financial processes and controls according to "risk-based" approach			P
When approved, run report of subrecipients and total amounts to be paid to identify which require A-133 reviews			P
Ensure that A-133 reports are received from subrecipients			P

KEY
P = PRIMARY RESPONSIBILITY
S = SECONDARY RESPONSIBILITY
O = INSTITUTIONAL OVERSIGHT

O - L = LOCAL OVERSIGHT  
 I = PROVIDE INPUT

## Definitions

Term	Definition
<b>OMB Circular A-133</b>	Circular issued by the Office of Management and Budget (OMB) setting forth standards for obtaining consistency and uniformity among Federal agencies for the audit of States, local governments, and non-profit organizations expending Federal awards.
<b>Federal Audit Clearinghouse database</b>	A database compiled on behalf of the Office of Management and Budget (OMB) whose primary purpose is to disseminate audit information to Federal agencies and to the public, to support OMB oversight and assessment of Federal award audit requirements, to assist Federal cognizant and oversight agencies in obtaining OMB Circular A-133 data and reporting packages, and to help auditors and auditees minimize the reporting burden of complying with Circular A-133 audit requirements.
<b>Prime Institution</b>	Applicant institution which has been awarded the primary grant, contract, or cooperative agreement.
<b>Subrecipient</b>	<p>A subrecipient is a third-party organization performing a portion of the scope of work on WMC's sponsored project or program. The terms of the subrecipient relationship are generally documented in a subaward / subgrant / subcontract agreement.</p> <p>OMB Circular A-133 defines a subrecipient as follows for purposes of Federal awards, grants, and contracts: "A subrecipient means a non-federal entity that expends Federal awards received from a pass-through entity to carry out a Federal program, but does not include an individual that is a beneficiary of such a program. A subrecipient may also be a recipient of other Federal awards directly from a Federal awarding agency. Note that a "subrecipient" does not include a consultant or independent contractor whose services are retained for purposes of carrying out the prime award."</p>
<b>Subawards / Subgrants / Subcontracts</b>	As it pertains to this policy, these terms mean an award of financial support subsidiary to a prime award (e.g., a grant, cooperative agreement, and other agreements) made by a prime award recipient to an eligible subrecipient. It also includes awards made by a subrecipient to a lower tier subrecipient. It does not include procurement of goods and services through the funds provided in a prime award.

Yale University  
**Comment:** It's odd to say this is the definition if you don't actually quote it, I think.