

Policy on Sub-Recipient Monitoring

Effective Date: 1/7/13

POLICY

Chico State Enterprises (CSE) is responsible for the programmatic and financial monitoring of its sponsored award sub-recipients.

This policy seeks to

- promote stewardship of funds used to pay sub-recipient organizations;
- promote appropriate responsibility and accountability for contractual sub-recipient relationships;
- promote compliance with Federal, state, and other legal requirements related to sub-recipient monitoring; and
- ensure that CSE and its sponsors receive value for funds expended.

REASON FOR THE POLICY

As a condition of its acceptance of funding from sponsors, CSE is obligated in its role as primary recipient to undertake certain stewardship activities as well as comply with Federal, state and local regulations. When CSE assigns responsibility for conducting a portion of the work sponsored by an award to a sub-recipient, CSE remains responsible to the sponsor for management of funds and meeting performance goals. Thus, the monitoring of technical and financial activities associated with a sub-recipient is an integral part of CSE stewardship of sponsored funds.

DEFINITIONS

Sub-award – an award (sub-grant or sub-contract) of financial support from a prime awardee (e.g., CSE) to a qualified organization for the performance of a substantive portion of the program funded under the prime award.

Sub-recipient – the legal entity to which a sub-award is made and which is accountable to CSE for the use of the funds provided in carrying out a portion of CSE’s programmatic effort under a sponsored project. Also referred to as sub-awardee and subcontractor, a sub-recipient has responsibility for programmatic and/or administrative decision making and adherence to the applicable sponsor program compliance requirements. The term may include institutions of higher education, non-profit organizations, for-profit corporations, and foreign or international organizations at the discretion of the Federal awarding agency.

Vendor – an entity responsible for providing goods or services necessary to conduct the research or other programmatic effort and but not responsible for the results of the effort. Vendors provide similar goods or services to many different purchasers. A vendor is only required to meet the terms of the procurement instrument and is not subject to all of the compliance requirements of the Federal program.

The chart below may assist in determining if a sub-awardee is a sub-recipient or a vendor. There may be unusual circumstances or exceptions to the listed characteristics below. In making the determination of whether a sub-recipient or vendor relationship exists, the substance of the relationship is more important than the form of the agreement. It is not expected that all of the characteristics will be present and judgment should be used in determining whether an entity is a sub-recipient or vendor.

Sub-recipient	Vendor
Sub-recipient services are uniquely designed in response to each project, and not provided commercially.	Vendor provides goods or services within normal business operations which are ancillary to the operation of the project.
Sub-recipient technical lead is usually a scientific collaborator or even a co-PI on the project.	Vendor provides similar goods or services to many different purchasers in a competitive environment.
Sub-recipient retains rights to intellectual property.	Vendor retains no rights to intellectual property.
Sub-recipient results are likely to be published in the scientific literature and/or sub-recipient is likely to be a co-author on the publication.	
Sub-recipients are subject to compliance requirements of the federal project.	Vendor is not subject to compliance requirements of the federal project.

SCOPE

This policy applies to all sub-awards or sub-contracts issued under sponsored projects awarded to CSE without regard to the primary source of funding. The following are the objectives of implementing this policy:

- Manage or eliminate any conflict of interest that arises from a sub-award or sub-contract by CSE to an entity in which CSE, Principal Investigator, or key personnel have a financial interest.
- Advise sub-recipients of applicable laws or regulations, terms and conditions of the prime award or agreement, and CSE’s requirements that apply to the sub-award or sub-contract.
- The routine receipt and review of technical performance reports.
- The routine review of expenses to budget.
- Ensure that the performance goals set forth in the scope of work are being met in a timely manner.
- The option to perform sub-recipient “audits”, if necessary and consideration of whether audit results necessitate adjustment of CSE’s records.
- The option to perform periodic on-site visits or regular contact, if necessary.

FEDERAL REGULATIONS

The Federal regulations that describe sub-recipient monitoring contain the following core elements of compliance:

- Advising sub-recipients of all applicable Federal laws and regulations, and all appropriate flow-down provisions from the prime agreement.

- Providing sub-recipients with information regarding the prime award including Catalog of Federal Domestic Assistance number (CFDA), title, award name and number, award dates, and sponsoring agency, as required by OMB Circular A-133.
- Ensuring sub-recipient compliance with NIH/NSF conflict of interest policies.
- Monitoring costs and activities of sub-recipients to ensure that expenditures charged to the Foundation are allowable, allocable and reasonable, and reflected in the scope of work of the sub-award or sub-contract.
- Ensuring that cost-share commitments made by sub-recipients are documented and adhere to all relevant regulations.
- Conducting a risk assessment of all new and continuing sub-contracts or sub-awards to determine which sub-recipients require closer scrutiny.
- Ensuring that sub-recipients expending \$500,000 or more in federal awards during the sub-recipient's fiscal year have met the OMB Circular A-133 audit requirements for that fiscal year.
- Reviewing A-133 audit reports filed by sub-recipients and ensuring that the sub-recipient takes appropriate and timely corrective action in response to audit findings.
- Consideration of sanctions on a sub-recipient in cases of continued inability or unwillingness to have required audits or to correct non-compliant actions.

PROCEDURES

A. Pre-award Sub-recipient Review

Before including a sub-recipient in a proposal, the CSE development specialist will

- Determine whether a sub-award is allowable under the sponsored project.
- Evaluate whether the proposed entity is a sub-recipient or vendor. (See chart above, page 2.)
- For federal proposals
 - Use the Excluded Parties List System (EPLS) to determine if the potential sub-recipient has been suspended or debarred from doing business with the federal government.
 - If the sub-recipient has not been suspended or debarred, use the attached Sub-recipient Risk Assessment Decision Tree to determine next steps.

B. Negotiating and Executing Sub-recipient Relationships

If an award arrives in which there is to be a sub-recipient that was not identified at the proposal stage, the CSE contracts staff will

- Confirm that a sub-award is allowable under the sponsored project.
- Evaluate whether the proposed entity is a sub-recipient or vendor. (See chart above, page 2.)
- For federal proposals
 - Use the Excluded Parties List System (EPLS) to determine if the potential sub-recipient has been suspended or debarred from doing business with the federal government.
 - If the sub-recipient has not been suspended or debarred, use the attached Sub-recipient Risk Assessment Decision Tree to determine next steps.

C. Risk Assessment

The Director and/or Contracts Officer review the information contained in the Sub-Award Commitment

Form, FFATA Form or Sub-Recipient Questionnaire to identify high-risk sub-awardees and may impose additional restrictions. Risk assessment also includes review of financial statements and A-133 audit findings and the size of the sub-award, proposed scope of work, cost-sharing requirements, and previous history with the sub-recipient. Sub-awardees may be identified as low risk based solely on prior performance and A-133 audit findings.

D. Standard Terms in Sub-recipient Agreements

Sub-recipient agreements generally will include the following, as appropriate:

- Terms that specifically address the implementation of any appropriate and necessary risk mitigation strategies.
- For sub-recipients subject to A-133, a requirement to report any problem related to the sub-award identified in their annual audits and to submit corrective action plans for review by CSE.
- Mandatory flow-down provisions from the prime award, such as the requirements of certain federal laws and regulations as applicable.
- Financial terms and conditions including but not limited to: fixed price or cost reimbursed, term and termination, billing requirements, and payment terms.
- Ownership of intellectual property and data.
- A requirement to permit the sponsor and/or CSE and their auditors to have access to the records and financial statements as necessary to conduct a review if deemed appropriate and to cooperate with CSE in resolving problems.
- Terms indicating that the sub-recipient's submission of an invoice constitutes certification that the items included on the invoice represent reasonable, allocable, and allowable costs associated with performing the project defined in the agreement.
- For federal awards, each sub-recipient will be informed of the Catalog of Federal Domestic Assistance ("CFDA") title and number, award (name, number, and year), whether the award is Research & Development ("R&D"), and the name of the federal agency sponsoring the award. When some of this information is unavailable, CSE shall provide the best information available to describe the federal award.

DI. Post-award Sub-recipient Monitoring

Monitoring of Ongoing Activities

The Principal Investigator and CSE have the responsibility, on an ongoing basis throughout the life of the award, to monitor the activities of sub-recipients in accordance with the governing agreement, to assure that awarded funds are used for authorized purposes in compliance with the provisions of the agreement, and to ensure that performance goals are met.

1) Ongoing Review

All sub-recipient's monthly financial reports are reviewed prior to payment of funding requests or report of information to sponsor. Assigned analyst will review for the following:

- Certification by the PI that performance is on track with contracted service goals
- Accuracy and timeliness of reporting
- Excessive rate of expenditure of grant funds, total costs exceeding budget projections, program income not meeting budget
- Expenditure of grant funds at lower rate than budgeted

- On-track contribution of committed cost share

2) Desk Review

As part of the necessary risk mitigation strategies, the sub-award may include the requirement to submit additional documentation in support of financial reports and/or invoices, such as

- Detail transaction report
- Copies of receipts
- Copies of effort reports/time cards
- Fringe benefit calculations and associated payroll records

Assigned analyst will review the back-up documentation and question any costs that are not substantiated or that do not appear to be reasonable, allowable or allocable to the project.

3) Limited On-Site Monitoring

As part of the necessary risk mitigation strategies, the sub-award may include the requirement for limited on-site monitoring. Analyst will meet with the fiscal officer and/or the preparer of financial reports and supporting staff of the sub-recipient to review

- New requirements or recurring compliance issues or problems brought to Analyst's attention by Program Memos or fiscal trainings.
- Program-specific controls and compliance
- Staff awareness of program requirements, particularly Single Audit requirements and financial reporting requirements. (It may be necessary to provide technical assistance to new staff).
- Any compliance concerns revealed by ongoing reviews of financial reports/invoices. (Explanation of indicators may be requested and/or corrective action required.)
- Assessment of sub-recipient's plan of corrective action for items identified as material weaknesses in internal control or material instances of non-compliance in the Single Audit report.

4) Full On-Site Monitoring

As part of the necessary risk mitigation strategies, the sub-award may include the requirement for full on-site monitoring. Assigned analyst will meet on-site with the fiscal officer and/or preparer of financial reports and supporting staff of the sub-recipient to determine if

- Performance of contracted service goals is documented and on-track.
- Reports submitted include all activity for the reporting period and are supported by underlying performance records.
- Ledgers for cash disbursement match reported expenditures.
- Actual expenditures are in accordance with the budget and any required prior approvals obtained.
- Funds were used only during the authorized period of availability.
- Matching requirements are met using only allowable funds and properly calculated and valued.
- Program income is correctly earned, recorded and used in accordance with the terms and conditions of the sub-award.
- Underlying supporting documentation for any employee labor is adequate and in compliance with OMB circulars.
- Supporting documentation for unusual or large expenditures is clear and reasonable.
- Supporting documentation for cost transfers is clear and reasonable.

- Procedures are in place to track and secure property and equipment
- Allocation of indirect costs is allowable and allocable to the project.
- If corrective actions have been taken on findings in the last Single Audit report.

F. Compliance with OMB Circular A-133 Audit Requirements

Analyst assigned to a prime award also requests and reviews the OMB A-133 Single Audit report for those sub-awardees subject to the Circular.

G. Closeout of Sub-recipient Awards

Sub-recipient award closeout requirements include:

- receipt of final invoice;
- verification patent/invention documentation, equipment reports, etc.)
- final verification that contracted goals have been met, all required deliverables have been submitted (e.g., technical/progress reports, etc.) as indicated by the PI's signature and date on the final invoice;
- completion of any necessary final review of costs charged by the sub-recipient and final closeout of all commitments, accrued costs, or payables.

The requirements of the prime award will be considered during the closeout process. In general, a sub-award is closed when it has expired and/or when final technical deliverables are received and financial matters are concluded.

H. Sub-recipient Record Retention

Sub-recipient documentation will be retained with the information of the prime award for the same period of time and in a manner consistent with CSE's Record Retention Policy.

The requirements listed in this policy are not exhaustive of all compliance requirements. In addition to the elements noted above, there may be additional sponsor- or program-related requirements that mandate collecting and documenting other assurances (e.g., on lab animals, human subjects, biohazards, etc.) during the course of the project.

In the event that resources for monitoring are limited, all other factors of risk being equal, attention will be devoted to sub-recipients with the largest federal awards.