



SUBRECIPIENT MONITORING PROCEDURES

1. Subrecipient Administration and Monitoring Procedures

1.1. Background

- 1.1.1. Concept of Substantive Work. Sponsored research awards made to WMU are generally conducted within the physical boundaries of the institution. On occasion, substantive programmatic work is carried out by one or several institution(s) that are made responsible for a portion of a project awarded to WMU. The concept of substantive work conducted by a third party is defined as follows:
 - 1.1.1.1. Project activities with a primary purpose of the research program which, for whatever reason, are not conducted at the University. These activities constitute a significant portion of the research program and require the leadership and direction of a responsible investigator located at the work site on the cooperating entity.
 - 1.1.1.2. Substantive work usually encompasses any one or more of the following: personnel costs, supplies, equipment, travel, and Facilities & Administrative (F&A) costs needed by a third party (i.e., industry, hospital, university) who is performing a portion of a research program under an award made to WMU.
- 1.1.2. Distinction between a Subrecipient and a Contractor. OMB Uniform Guidance also makes a distinction between a subrecipient (substantive work) and a contractor:

WMU, as the pass-through entity, must make a case-by-case determination whether each agreement it makes for the disbursement of Federal funds casts the party receiving the funds in the role of a subrecipient or a contractor.

 - 1.1.2.1. A Subrecipient is defined as “a non-Federal entity that receives a subaward from a pass-through entity to carry out part of a Federal program; but does not include an individual that is a beneficiary of such program. A subrecipient may also be a recipient of other Federal awards directly from a Federal awarding agency.”
 - 1.1.2.2. A Contractor is defined as “an entity that receives a contract,” which is defined as “a legal instrument by which a non-Federal entity purchases property or services needed to carry out the project or program under a Federal award. The term as used in this part does not include a legal instrument, even if the non-Federal entity considers it as a contract, when the substance of the transaction meets the definition of a Federal award or subaward.”

- 1.1.3. WMU, as the pass-through entity, must make a case-by-case determination whether each agreement it makes for the disbursement of Federal funds casts the party receiving the funds in the role of a subrecipient or a contractor
- 1.1.4. According to OMB Uniform Guidance, characteristics which support the classification of the non-Federal entity as a subrecipient include, when the non-Federal entity:
 - 1.1.4.1. Determines who is eligible to receive what Federal assistance;
 - 1.1.4.2. Has its performance measured in relation to whether objectives of a Federal program were met;
 - 1.1.4.3. Has responsibility for programmatic decision making;
 - 1.1.4.4. Is responsible for adherence to applicable Federal program requirements specified in the Federal award; and
 - 1.1.4.5. In accordance with its agreement, uses the Federal funds to carry out a program for a public purpose specified in authorizing statute, as opposed to providing good or services for the benefit of the pass-through entity.
- 1.1.5. Characteristics indicative of a procurement relationship between the non-Federal entity and a contractor are when the non-Federal entity receiving the Federal funds:
 - 1.1.5.1. Provides the goods and services within normal business operations;
 - 1.1.5.2. Provides similar goods or services to many different purchasers;
 - 1.1.5.3. Normally operates in a competitive environment;
 - 1.1.5.4. Provides good or services that are ancillary to the operation of the Federal program; and
 - 1.1.5.5. Is not subject to compliance requirements of the Federal program as a result of the agreement.
- 1.1.6. Not all of the characteristics need to be or will be present to determine whether another non-Federal entity is cast as a subrecipient or a contractor, and the Uniform Guidance states that judgment should be used in each case.
- 1.1.7. While an external entity may be classified as a contractor, it is still subject to compliance rules and regulations, including those that govern the usage of human or animal subjects and select agents. For more information on WMU relationships with contractors, please refer to WMU Logistical Services Policies and Procedures at wmich.edu/logisticalservices/purchasing/policies-procedures

1.2. Subrecipient Selection and Review

1.2.1. Preparing Proposals with Outgoing Subawards

A WMU investigator who plans to include another institution to undertake responsibility for a substantive portion of the programmatic effort described in a proposal must provide a number of documents from the proposed subrecipient institution well in advance of proposal submission. At a minimum, these documents include:

- 1.2.1.1. Evidence of commitment to participate in the project and abide by all the associated terms and conditions;
- 1.2.1.2. Statement of work, including identification of the use of human subjects and/or animals;
- 1.2.1.3. Detailed budget and budget justification.

- 1.2.2. The PI should select a subrecipient based on his/her assessment of the subrecipient's ability to perform the work successfully. This should include an analysis of the subrecipient's past performance and technical capability as well as an assessment of the proposed costs for the work to be done.
- 1.2.3. Risk Assessment

The Office of the Vice President for Research is responsible for conducting subrecipient risk assessments on behalf of the University. Office of the Vice President for Research will issue to proposed subrecipients the "Subrecipient Commitment Form."

 - 1.2.3.1. The Subrecipient Commitment Form requests a variety of information regarding the financial status of the proposed subrecipient entity. In general, the timing of this questionnaire will normally occur at the time of proposal submission.
 - 1.2.3.2. If the proposal is awarded OVPR will complete the "Subrecipient Risk Assessment Questionnaire." If the risk assessment results in a high level of financial risk, OVPR will consult with Grants and Contracts (G&C). As necessary, OVPR and G&C will consult with the Associate Vice President for Research and Associate Vice President for Finance and/or the Office of General Counsel. OVPR and G&C will develop a proposed risk mitigation strategy that may include special terms and conditions in the subaward agreement or other forms of more robust monitoring procedures in accordance with the OMB Uniform Guidance. In rare instances, WMU may determine that the risk of entering into a subaward with the proposed entity is excessive and not move forward with executing the agreement.

1.3. Negotiating and Executing Subrecipient Agreements

- 1.3.1. Subrecipient Compliance and Assurance. As the prime recipient of an award which includes one or more outgoing subawards to other entities, the University has the responsibility for ensuring that all research under the prime award is conducted and administered in compliance with sponsor requirements and University policies. The subrecipient organization must certify that it will comply with all appropriate representations, approvals, assurances, and certifications related to the research project -- including human subjects, animals, export controls, and financial conflict of interest -- before the subaward can be fully executed.
- 1.3.2. Federal Demonstration Partnership (FDP) Template. The University is an active FDP participant and as such employs the [Standard FDP subaward template](#) when issuing subawards as applicable.
- 1.3.3. Standard Terms in a Subaward. A subaward will generally include terms and conditions that address the following as appropriate (**Note:** This list is not all inclusive. The terms and conditions will be dictated by the prime award and/or risk level of the subrecipient):
 - 1.3.3.1. Implementation of any appropriate and necessary risk mitigation strategies;
 - 1.3.3.2. Mandatory flow-down provisions from the prime award;
 - 1.3.3.3. Non-financial reporting requirements;

- 1.3.3.4. Financial terms and conditions including: cost reimbursement, billing requirements, and payment terms;
- 1.3.3.5. Ownership of intellectual property and data;
- 1.3.3.6. Certification of invoices that costs conform to conditions of allowability and support the performance of work.
- 1.3.4. Subawards issued under a federal prime award will include the following information as required by [OMB Uniform Guidance](#):
 - 1.3.4.1. Federal Award Identification
 - 1.3.4.1.1. Subrecipient name;
 - 1.3.4.1.2. Subrecipient's DUNS number;
 - 1.3.4.1.3. Federal Award Identification Number (FAIN);
 - 1.3.4.1.4. Federal Award Date;
 - 1.3.4.1.5. Subaward Period of Performance Start and End Date;
 - 1.3.4.1.6. Amount of Federal Funds Obligated by this action;
 - 1.3.4.1.7. Total Amount of Federal Funds Obligated to the subrecipient;
 - 1.3.4.1.8. Total Amount of the Federal Award;
 - 1.3.4.1.9. Federal award project description, as required to be responsive to the Federal Funding Accountability and Transparency Act (FFATA);
 - 1.3.4.1.10. Name of Federal awarding agency, pass-through entity, and contact information for awarding official;
 - 1.3.4.1.11. CFDA Number and Name; the pass-through entity must identify the dollar amount made available under each Federal award and the CFDA number at time of disbursement;
 - 1.3.4.1.12. Identification of whether the award is R&D; and
 - 1.3.4.1.13. Indirect cost rate for the Federal award.
 - 1.3.4.2. All requirements imposed by the pass-through entity on the subrecipient is so the Federal award is used in accordance with Federal statutes, regulations and the terms and conditions of the Federal award.
 - 1.3.4.3. Any additional requirements that the pass-through entity imposes on the subrecipient in order for the pass-through entity to meet its own responsibility to the Federal awarding agency including identification of any required financial and performance reports;
 - 1.3.4.4. An approved federally recognized indirect cost rate negotiated between the subrecipient and the Federal government or, if no such rate exists, either a rate negotiated between the pass-through entity and the subrecipient or a de minimis indirect cost rate (presently 10% of modified total direct costs.)
 - 1.3.4.5. A requirement that the subrecipient permit the pass-through entity and auditors to have access to the subrecipient's records and financial statements as necessary; and
 - 1.3.4.6. Appropriate terms and conditions concerning closeout of the subaward.
- 1.4. Post-Award Subrecipient Monitoring**
 - 1.4.1. As a Pass-through entity, WMU must monitor the subrecipient to ensure that the

subaward is used for authorized purposes, is in compliance with Federal statutes and regulations, and achieves performance goals. In accordance with OMB Uniform Guidance, WMU's subrecipient monitoring activities must include:

- 1.4.1.1. Reviewing financial and programmatic reports as required by the Subaward;
 - 1.4.1.2. Following-up and ensuring that the subrecipient takes timely and appropriate action on all deficiencies pertaining to the Federal award detected through audits, on-site reviews, and other means;
 - 1.4.1.3. Issuing a management decision for audit findings pertaining to the Federal award as required;
 - 1.4.1.4. Verifying that every subrecipient is audited as required by OMB Uniform Guidance (See Annual Subrecipient Monitoring Process);
 - 1.4.1.5. Considering whether the results of the subrecipient's audits, on-site reviews, or other monitoring indicate conditions that necessitate adjustments to the pass-through entity's own records; and
 - 1.4.1.6. Considering taking enforcement action against noncompliant subrecipients.
- 1.4.2. WMU must also evaluate each subrecipient's risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward. Such factors to consider in making the evaluation may include:
- 1.4.2.1. The subrecipient's prior experience with the same or similar subawards;
 - 1.4.2.2. The results of previous audits including whether or not the subrecipient receives a Single Audit;
 - 1.4.2.3. Whether the subrecipient has new personnel or new or substantially changed systems; and
 - 1.4.2.4. The extent and results of Federal awarding agency monitoring.
- 1.4.3. Depending upon the assessment of risk posed by the subrecipient, the following monitoring tools may be useful to ensure proper accountability and compliance with program requirements and achievement of performance goals.
- 1.4.3.1. Provide subrecipients with training and technical assistance on program-related matters;
 - 1.4.3.2. Performing on-site reviews of the subrecipient's program operations; and
 - 1.4.3.3. Arranging for agreed-upon-procedures engagements.
- 1.4.4. If any material issues are discovered in the activities described above, G&C will review to determine if further monitoring techniques or corrective action plans will be needed. In these instances, G&C will collaborate with the Office of the Vice President for Research to implement corrective actions and increase the level and/or frequency of monitoring procedures for the respective subrecipient.

1.5. Subrecipient Invoice Review and Approval

- 1.5.1. The Principal Investigator is responsible for reviewing invoices received from subawardees to ensure that expenditures are reasonable in the context of work performed and to assure that all required progress report or deliverable are up-to-date, as required by the statement of work or terms of the subaward. The review includes completing the Subrecipient Invoice Review Form prior to the invoice

being paid.

- 1.5.2. G&C reviews the invoice prior to payment by completing a Checklist for Reviewing Subrecipient Invoices.

1.6. Responsible Offices

- 1.6.1. Principal Investigator, Departmental Staff responsible for:
 - 1.6.1.1. Subaward Invoice Review and Approval
 - 1.6.1.2. Review subaward expenses for allowability
 - 1.6.1.3. Monitoring technical aspects of the project
 - 1.6.1.4. Monitor technical report requirements
- 1.6.2. Office of Research and Innovation
 - 1.6.2.1. Prequalifying Subrecipient Questionnaire
 - 1.6.2.2. Proposal Development
 - 1.6.2.3. Subaward Execution
 - 1.6.2.4. Risk Assessment Questionnaire
- 1.6.3. Grants and Contracts
 - 1.6.3.1. Mini Audit Questionnaire
 - 1.6.3.2. Annual Financial Monitoring
 - 1.6.3.3. Subaward Invoice Review and Approval
 - 1.6.3.4. Review subaward expenses for allowability

1.7. Annual Subrecipient Monitoring Process

- 1.7.1. In accordance with OMB Uniform Guidance, on an annual basis G&C will conduct the subrecipient monitoring process for all entities with expenses charged in the given fiscal year. This process assists G&C in evaluating subrecipients' financial stability, processes, and internal controls.
- 1.7.2. Grants and Contracts will review the Federal Audit Clearinghouse (Harvester) for each subrecipient entity nad, if necessary, request a copy of the most recent audit report for the subrecipient entity and review any findings. G&C will confirm that the subrecipient has taken appropriate and timely corrective action. If the findings are related to WMU awards, G&C may also consider whether they necessitate adjustments of WMU financial records.
- 1.7.3. For those subrecipient organizations that are not subject to the Uniform Guidance audit, G&C will issue the "Mini Audit Questionnaire" and request copies of relevant external audits and review any findings. G&C will confirm that the subrecipient has taken appropriate and timely corrective action on such findings. If the findings are related to WMU awards, G&C may also consider whether they necessitate adjustments of WMU records.
 - 1.7.3.1. WMU obtains master list of subrecipients and EIN number for fiscal year 20xx.
 - 1.7.3.2. Using EIN and/or auditee name, WMU checks Federal Clearing House (Harvester) to see if fiscal year 20xx Audit Report is available.
 - 1.7.3.3. If Audit Report is available:
 - 1.7.3.3.1. No Findings: WMU waives further review.
 - 1.7.3.3.2. Findings. What type of finding?
 - 1.7.3.3.2.1. If non research related (i.e. financial aid, not getting a CFDA# from subcontract; etc.): WMU waives further review.

- 1.7.3.3.2.2. If research related (i.e. cost transfers, effort, systems, billing, FFR accuracy) and:
 - 1.7.3.3.2.2.1. Subcontract has current fiscal year expenditures < \$25K, WMU waives further review.
 - 1.7.3.3.2.2.2. Subcontract has current fiscal year expenditures > \$25K, WMU send letter asking for further details and to confirm findings are not related to WMU.
 - 1.7.3.3.2.2.3. If finding relates to WMU, WMU sends letter regardless of amount of current fiscal year expenditures.
- 1.7.3.4. If Audit Report is not available via Harvester:
 - 1.7.3.4.1. WMU sends letter and/or mini audit questionnaire.
- 1.7.3.5. Subcontractors who don't respond to letter or questionnaire:
 - 1.7.3.5.1. Letter will be sent to PI informing them that subcontractor X has not responded and that no future invoices will be paid until subcontractor becomes compliant.

1.8. Tracking Subawards

- 1.8.1. In accordance with OMB Uniform Guidance, on an annual basis G&C will conduct the subrecipient monitoring process for all federally funded subawards. The subawards will be tracked in a subaward database to monitor and review each subrecipient.
 - 1.8.1.1. Subrecipient information is entered at the time of issuance of a subaward;
 - 1.8.1.2. Subaward projects are linked to each subrecipient;
 - 1.8.1.3. Reports are utilized to
 - 1.8.1.3.1. Review SEFA (A-133 reports) and Mini-Audit Questionnaire's;
 - 1.8.1.3.2. Monitor the risk assessment of the subrecipient; and
 - 1.8.1.3.3. Review additional data elements for monitoring compliance.

1.9. Closeout of Subrecipient Agreements

- 1.9.1. Early Termination

Early Termination of a subrecipient agreement may occur for a number of reasons, all of which may be problematic. Reasons for early termination include, but are not limited to:

 - 1.9.1.1. Failure of the subrecipient to perform,
 - 1.9.1.2. Relocation or illness of the subrecipient's principal investigator, or
 - 1.9.1.3. Termination by the project's sponsor.
- 1.9.2. The subrecipient agreement must authorize early termination and specify the conditions. With regard to failure to perform, the WMU's principal investigator and/or G&C and OVPR should maintain and retain documentation

supporting the lack of progress by the subrecipient (for example, by not approving invoices because of inadequate progress) and recorded communications with the efforts to correct the situation.

- 1.9.3. If the sponsor terminates the project, WMU has the responsibility to represent the subrecipient's interests towards a fair and orderly closeout and settlement. The subagreement provisions should allow for payment of all non-cancelable costs, if applicable, prior to the date of termination, if this is consistent with the prime award. In early termination, the sponsor usually still requires the submission of all reports. Therefore, closeout procedures will be very similar, if not identical, to the procedures followed if the project had continued to the projected termination date.

1.10. Subaward Closeout

- 1.10.1. Before a final invoice can be paid, the WMU PI must certify that all technical reports and /or deliverables have been received and that the subrecipient has fulfilled its obligations. Final verification of technical completion by the subrecipient is indicated by the PI's signature and date on the final invoice. In addition, final close out documents [residual property; inventions and discoveries (including a negative report); subrecipient's release forms (where applicable), final risk assessment review; final audits (desk, assist when necessary) are required.
- 1.10.2. All subrecipient files must be retained for a minimum of 3 years after submission of final expenditure to prime sponsor. Unless the prime awarding agency has a different record retention requirement.

Related Policies:

[Subrecipient Monitoring Policy](#)

[Logistical Services Purchasing Policies and Procedures](#)

[Office of Management and Budget \(OMB\) Uniform Guidance](#)