

Procedure 1307 PR.01
Monitoring Subrecipient Activity Associated with Sponsored Programs
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Overview

This procedure outlines the business activities to be executed in monitoring subrecipient activity, as governed by related [Policy 1307](#): Subrecipient Activity Associated with Sponsored Programs. All University departments, offices, faculty, administrative personnel, and staff personnel who are involved in the conduct of sponsored research wherein a subrecipient is conducting a portion of the research activity should follow these procedures.

Reason for the Procedure

This procedure delineates specific business activities that should be performed in managing subrecipients of sponsored awards. The procedure documentation further articulates the general roles and responsibilities for subrecipient monitoring across the University.

This procedure is intended to establish effective stewardship of sponsor funds related to sponsored project activity subcontracted to other entities.

Definitions

Subrecipient

Subrecipient means the legal entity to which a subaward is made and which is accountable to the University for the use of the funds provided in carrying out a portion of the University’s programmatic effort under a sponsored project. The term may include institutions of higher education, for-profit corporations, and foreign or international organizations (such as agencies of the United Nations) at the discretion of the Federal awarding agency.

Annual Subrecipient Monitoring

Annual subrecipient monitoring includes those activities undertaken to review the financial status and management controls of a subrecipient to mitigate the risk of contracting with a subrecipient organization.

Pre-award Subrecipient Review

Pre-award subrecipient review includes those activities undertaken prior to officially subcontracting with a third-party organization. Such activities may include reviewing organizational, financial or other information to identify potential risks.

Post-award Subrecipient Monitoring

Post-award subrecipient monitoring refers to those day-to-day activities undertaken to monitor billings and scientific progress of an active subaward.

Subaward

A subaward is an award (also referred to as a subgrant if the prime award is a grant or subcontract if the prime award is a contract) of financial support from a prime awardee (e.g., Yale) to a qualified organization for the performance of a substantive portion of the program funded under the prime award.

The term also includes awards made by a subrecipient to a lower-tier subrecipient. It does not include procurement of goods and services funded by a prime award (i.e., vendors are not considered subrecipients).

Procedure

A. Pre-award Subrecipient Review

Risk Assessment

Before executing a subrecipient agreement, the University will conduct an assessment to identify risks.

A subrecipient risk assessment may take into account several factors, including but not limited to:

- whether the potential subrecipient is subject to an A-133 audit or other federal financial review;
- degree of external oversight by auditors or sponsor agencies;
- 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 may receive substantial and frequent monitoring; mid-sized awards may receive proportionately less substantial and less frequent monitoring; smaller awards may 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 (i.e., remoteness from the University might require more oversight);
- type of subrecipient organization (for-profit / not-for-profit / small business / corporation / foreign / domestic); and
- organizational and individual conflict of interest.

Where the risk assessment reveals a high potential for financial risk, a proposed risk mitigation strategy will be developed by Grant & Contract Administration ("GCA"), in consultation with the Office of Grant and Contract Financial Administration ("GCFA"), the Controller, and General Counsel as appropriate before proceeding with establishment of the subaward. Before signing an agreement with a new subrecipient, it is the responsibility of the appropriate GCA unit to gather information and documentation on the potential subrecipient's organization, financial stability, and financial processes and controls. Pertinent information may be gathered from the following sources:

- A-133 audit certification letters for A-133 covered entities;
- annual financial statements from non-A-133 covered entities.

When negotiations begin, GCA will request documentation of financial status from subrecipients not subject to A-133 audit requirements. A subrecipient unwilling or unable to provide required audit reports for review will be evaluated by GCA and GCFA, and appropriate actions will be taken to manage risk.

The frequency of monitoring will be determined based upon the specific organization and the nature of the subaward proposed.

B. Negotiating and Executing Subrecipient Relationships

Standard Terms in Subrecipient Agreements

The University subrecipient agreements generally will include the following, as appropriate:

- terms that specifically address the implementation of any appropriate and necessary risk mitigation strategies;
- for subrecipients subject to A-133, a requirement to report any problem related to the subaward identified in their annual audits and to submit corrective action plans for review by the University;

- 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, term and termination, billing requirements, and payment terms;
- ownership of intellectual property and data;
- a requirement to permit the sponsor and or the University and their auditors to have access to the records and financial statements as necessary for the University to conduct a review if deemed appropriate and to cooperate with the University in resolving problems;
- terms indicating that subrecipient 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 subrecipient 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, the University shall provide the best information available to describe the federal award.

C. Post-award Subrecipient Monitoring

Department Monitoring of Ongoing Activities

The University has the responsibility, on an ongoing basis throughout the life of the award, to monitor the activities of subrecipients 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 achieved.

The responsible Principal Investigator ("PI") and department grant administrators should jointly determine the frequency and scope of departmental monitoring procedures. A "risk-based" approach to subrecipient monitoring is recommended with the frequency and intensity of monitoring driven by (1) the terms of the grant award and (2) the criteria identified in the section of this procedure titled "Pre-award Subrecipient Review".

Progress Monitoring, Technical Reports, and Deliverables

PIs are responsible for monitoring the progress of subrecipient work scope, using a variety of means to make this determination. Such review should generally take place at least quarterly.

The PI might receive informal progress reports via phone conversations, e-mail communications, or face-to-face discussions, or more formal technical reports or other deliverables might be required and due on specific dates. If formal technical reports are required, they should be filed with the grant files in the department and retained in the same manner as other grant documents.

Technical progress reviews by the PI are documented by that PI's signature on invoices.

Subrecipient invoices submitted to a department must contain a minimum level of information including but not limited to:

- name of subrecipient;
- date of invoice;
- invoice number;
- period of performance covered by invoice;
- description of services reflected by billings (e.g., major expenditure categories);
- current period costs, including cost sharing (in sufficient detail to enable comparison to project budget);
- cumulative project costs, including cost sharing, as compared to the project budget;
- subrecipient contact person with respect to the invoice;
- certification on each invoice as to the truth and accuracy of the invoice.

Departments must submit invoices to GCFA for payment within 30 days of the invoice date unless there are extenuating circumstances that have been approved by GCFA. Departments must retain a copy for departmental records.

Administrators are responsible for reviewing and approving invoices from subrecipients for adherence to budget. The department administrator's signature on the invoice indicates that review has taken place and that the invoice adheres to budget.

Resolving Invoice Issues

If, after review of the invoice, a concern with subrecipient performance is identified, the PI should request clarification from the subrecipient PI. If departmental administrators identify any unusual, miscellaneous, apparently excessive, or potentially unallowable charges invoiced by a subrecipient, and if the explanations from the subrecipient are insufficient to render a prudent judgment on the allowability of the cost, the department grant administrator shall refer the matter to GCFA and /or GCA for resolution with the subrecipient's institutional authorities. When GCFA is satisfied that the issues are resolved, they will notify the department and PI to proceed with approval for payment.

Invoices should not be approved for payment until all issues or concerns have been resolved.

GCFA Monitoring of Ongoing Activities

GCFA will provide a review of all subrecipient invoices submitted for payment. The review will, at a minimum, include:

- appropriate invoice format and level of detail;
- signatures of the PIs and appropriate local department administrators;
- certification or signature by authorized subrecipient representatives.

GCFA may disallow invoice charges determined to be unreasonable, unallowable, or unallocable. GCFA will work with the department to document the reason for the disallowance and contact the subrecipient organization to request a revised invoice.

D. Annual Subrecipient Monitoring

Risk Monitoring

GCFA has ultimate responsibility for determining the activities that will be undertaken to annually evaluate subrecipient organizations, as well as to collaborate with GCA, the Controller, and General Counsel (as appropriate) to determine what corrective actions should be taken.

At least annually, GCFA will gather updated information and documentation on subrecipient organizations' financial stability, financial processes, and controls. Pertinent information will be accumulated, reviewed, and analyzed as follows:

- **A-133 Entities**

Subrecipients that expend \$ 500,000 or more of federal funds annually are subject to A-133.

Annual A-133 audit certification letters indicating compliance with the A-133 certification standards will be requested and reviewed by GCFA.

- **Subrecipients Excluded from A-133 Audit Requirements**

Annual financial statements or completed annual financial controls surveys from non-A-133 covered entities will be requested and reviewed by GCFA.

In addition, the following approaches may be used to learn more about the subrecipient and confirm the risk profile:

- desk audits of a sample of subrecipients;
- site visits to review processes, systems, and controls;
- other procedures deemed appropriate.

Similar to Pre-award risk assessments, the annual subrecipient financial monitoring activities should be driven by several factors discussed in the section of this procedure titled "Pre-award Subrecipient Review".

Upon receipt of an unfavorable audit report from a subrecipient, the University will confirm that the subrecipient has taken appropriate and timely corrective action.

E. Closeout of Subrecipient Awards

GCFA and GCA, in collaboration with local department administrators, should begin subaward closeout actions immediately following conclusion of the subaward period of performance.

Where possible, subrecipient awards should be processed for closeout and formally closed within a 60-day time period, unless GCFA grants the department an extended time period to close out the subrecipient award. A subrecipient award may not be formally closed until all of the applicable closeout requirements have been accomplished.

Subrecipient award closeout requirements must include:

- receipt of final invoice;
- collection of all required deliverables (e.g., technical/progress reports, patent/invention documentation, equipment reports, etc.) to be provided by the subrecipient and final verification of technical completion by the PI, indicated by the PI's signature and date on the final invoice;
- completion of any necessary final review of costs charged to the University by the subrecipient and final closeout of all commitments, accrued costs, or payables.

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

F. Subrecipient Record Retention

Subrecipient documentation must be retained with the information of the parent award for the same time period as those of the parent award and in a manner that is consistent with Yale University's policy on record retention. Refer to University [Policy 1105](#): Retention of University Financial Records.

Contacts

Subject	Contact	Phone
Initiating a Subrecipient Agreement	GCA Units	Nursing & YSM: 785-4689 Central: 432-2460
Subrecipient performance	GCA Units	Nursing & YSM: 785-4689 Central: 432-2460
Subrecipient payment	GCFA	432-3060
Conflict of Interest	Conflict of Interest Committee	

Related Information

Policy [1307](#): Subrecipient Activity Associated with Sponsored Programs

Policy [1301](#): [Sponsored Projects Financial Reporting and Financial Closeout](#)

[OMB Circular A-133 and Current Compliance Supplement](#)

Roles and Responsibilities

Grant and Contract Administration Units (Central Campus/YSM)

- initiating Pre-award subrecipient reviews;

- consulting with the appropriate University departments as necessary to perform subrecipient risk assessment for first-time subrecipients;
- negotiating and executing subaward or consortium agreements between the University and subrecipient organizations, including appropriate language requiring adherence to federal regulations and other sponsor requirements as applicable;
- providing special terms and conditions in the subaward or consortium agreement to manage risk;
- reviewing financial risks in determining whether or not to do business with a subrecipient.

Jointly, GCA units and GCFA have responsibility to train faculty and departmental research administrators and provide monitoring and guidance in interpreting applicable regulations and subrecipient award terms and conditions, and in executing these Procedures.

Grant and Contract Financial Administration

- reviewing subrecipient invoices for cost allowability and ensuring compliance with federal regulations and both prime and subrecipient terms and conditions;
- issuing and collecting annual A-133 audit certification letters and financial questionnaires for non-A-133 subrecipients;
- reviewing all invoices for proper approval, per University policy, and submitting to Accounts Payable for payment.
- resolving financial questions related to invoices including disallowing questionable costs which cannot be adequately substantiated.

Office of the Controller

Advising GCA on subrecipient risk assessments and proposed risk-mitigation strategies when a potential subrecipient is deemed high-risk.

Office of General Counsel

Advising GCA (when appropriate) on subrecipient risk assessments and proposed risk-mitigation strategies when a potential subrecipient is deemed high-risk.

Principal Investigator

- monitoring the technical progress of a subrecipient's performance of obligations as defined in the subaward or consortium agreement;
- collaborating with GCFA and/or GCA to resolve issues with subrecipient invoices;
- reviewing and approving subrecipient invoices, verifying that billings are consistent with technical/progress reports and production of deliverables.

Department Administrator

- supporting the PI in his/her efforts to ensure that payments to subrecipients are appropriate given the status of technical efforts and progress;
- reviewing and signing invoices from subrecipients for adherence to budget;
- ensuring that all invoices have been approved by the PI;
- submitting invoices for payment in a timely manner and retaining copies for departmental records.

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