



# University of Colorado Denver

## Fiscal Policy

<b>Title:</b>	<b>Subrecipient Monitoring</b>
Source:	Office of Grants and Contracts
Prepared by:	Director of the Office of Grants and Contracts
Approved by:	Vice Chancellor for Research
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### **A. Introduction**

It is campus policy to have timely ongoing communication with and ongoing monitoring of organizations subcontracted by the University of Colorado Denver (UCD) to perform certain services for UCD prime-awarded sponsor projects. In this role, UCD can be referred to as the pass-through entity and is responsible for:

Award Identification – at time of the award, informing the subrecipient of award information and compliance requirements.

Award Monitoring – monitoring subrecipient's use of awards through reporting or regular contact to determine if the subrecipient is in compliance with relevant laws, regulations and sub-contract requirements.

Subrecipient Audits – completion or review of required A-133 or other audits within nine months of the end of the subrecipient's audit period along with ensuring appropriate action is taken to respond to audit findings

UCD Principal Investigator – Evaluate the impact of subrecipient activities on UCD's ability to comply with federal regulations and/or subcontract obligations.

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### **C. References**

1. 31 USC 7502(f) (2) (B) (Single Audit Act Amendments of 1996 (Pub.L.No.104-156))
2. OMB Circular A-133 ('\_\_.255 and '\_\_.400 (d))
3. A-102 Common Rule ('\_\_.37 and '\_\_. 40(a))
4. OMB Circular A-110 ('\_\_.51 (a))
5. UCD Office of Grants and Contracts Policies and Procedures
6. National Association of College and University Business Officers, A Guide to Managing Federal Grants for Colleges and Universities, May, 2004.

#### **D. Definitions**

1. Award: Financial assistance that provides support or stimulation to accomplish a public purpose. Awards include grants and other agreements in the form of money or property in lieu of money, by the Federal Government to an eligible recipient. The term does not include: technical assistance, which provides services instead of money; other assistance in the form of loans, loan guarantees, interest subsidies, or insurance; direct payments of any kind to individuals; and, contracts which are required to be entered into and administered under procurement laws and regulations.
2. Monitoring (PreAward, PostAward, Award Closeout): The monitoring of a subrecipient's use of awards by the PreAward, Post Award and Award Closeout sections of the Office of Grants and Contracts to provide reasonable assurance that the awards are being administered in compliance with laws, regulations, and the provisions of contracts or grant agreements and performance goals.
3. Pass-Through Entity: A non-federal entity that provides a Federal award to a subrecipient to carry out a Federal program.
4. Subrecipient: The legal entity to which a subaward is made and which is accountable to the recipient for the use of the funds provided. May include foreign or international organizations (such as agencies of the United Nations) at the discretion of the Federal awarding agency.
5. Subrecipient Audits: An audit of the entity to which a subaward is made.

#### **E. Policy Statement**

Adherence to federal requirements and private sponsor requirements for monitoring subrecipients is critical to the successful management of UCD sponsored projects requiring contracted assistance from entities or individuals outside UCD. The basic requirements of subrecipient monitoring follow.

##### Pass-Through Entity (UCD):

1. Award-Identification – At the time of the award, identify to the subrecipient the Federal award information and applicable compliance requirements (e.g. CFDA title and number, award name and number, award year, if the ward is R&D and name of the federal agency).
2. Advise subrecipients of requirements imposed by federal laws, regulations and the provisions of contracts or grant agreements as well as any supplemental requirements imposed by the pass-through entity.

3. Monitor the activities of subrecipients as necessary to ensure that awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements and those performance goals are achieved.
4. Ensure that subrecipients expending \$500,000 or more in federal awards during the subrecipient's fiscal year have met the audit requirements for that fiscal year.
5. Issue a management decision on audit findings within six months after receipt of the subrecipient's audit report and ensure that the subrecipient takes appropriate and timely corrective action.
6. Consider whether audits of subrecipients necessitate adjustment of UCD's records and/or continued contractual activities.
7. Require each subrecipient to permit UCD to have access to the records and financial statements as necessary for UCD compliance.

#### Award Monitoring

1. During the award, UCD PIs are to monitor the subrecipient's use of awards to provide reasonable assurance that the subrecipient administers awards in compliance with laws, regulations, and the provisions of contracts or grant agreements and performance goals. Monitoring can be conducted through the use of:
  - a. Reporting – review of financial and performance reports submitted to the PI by the subrecipient. For Cost-reimbursable subcontracts, accounting transactions records produced by the accounting system of record must be attached to all invoices before such invoices can be paid.
  - b. Contact – regular contacts with subrecipients and inquiries concerning award activities.
  - c. Site Visits – if necessary, visiting subrecipient to review financial and program records along with observing operations.
  - d. Procedures Engagements

#### Subrecipient Audits

Ensure required audits are completed within nine months of the end of the Subrecipient's audit period, issuing a management decision on audit findings within six months after receipt of the subrecipient's audit report, and ensuring that the subrecipient takes timely and appropriate corrective action on all audit findings. In cases of continued inability or unwillingness of a subrecipient to have the required audits, the pass-through entity shall take appropriate action using sanctions.

#### Impact Evaluation by Principal Investigator

The UCD PI is responsible for evaluating the impact of subrecipient activities, including financial, on UCD's ability to comply with applicable regulations.

### **F. Procedures for Project and Fiscal Monitoring**

### Principal Investigator

1. Reviews subrecipient invoices including supporting transaction reports if a cost reimbursable contract, approves and forwards for payment following relevant University fiscal policies and State fiscal rules.
2. Ensures that subrecipient invoiced goods and services fall within the subcontract period and within the total authorized amount of the subcontract and for only those items that are allowable charges to the project based on State, University and sponsor requirements.
3. The Principal Investigator is responsible for reviewing and approving financial and performance reports.
4. If necessary, the Principal Investigator performs site visits to review financial and programmatic records and to observe operations.
5. The Principal Investigator is responsible for regular contacts with subrecipients and appropriate inquiries regarding program responsibilities.

### Office of Grants and Contracts – Subcontracts

At the time of the award, identify to the subrecipient the Federal award information and applicable compliance requirements (e.g. CFDA title and number, award name and number, award year, if the award is R&D and name of the federal agency and invoice requirements).

### Office of Grants and Contracts – Accounting

1. Ensure required subrecipient audits are completed and archive documentation of the audit and any audit findings. If the subrecipient reports “no audit findings,” OGC Accounting will verify the subrecipient’s audit findings through the Federal Audit Clearinghouse database and that the required audit had been performed.
2. Issue a documented decision on audit findings within 6 months of the subrecipient’s audit report.
3. Ensure that subrecipients took appropriate and timely corrective action on all audit findings.
4. In cases of continued inability or unwillingness of a subrecipient to have the required audits, OGC Accounting will take appropriate action using sanctions and document in subrecipient project file.

### Office of Grants and Contracts – PostAward Accounting

1. Complete Final Billing review where PostAward Administrator works with Departmental Personnel to obtain Departmental Certification that:
  - a. All sub-contract charges are allowable per State, University and Sponsor requirements.
  - b. All sub-contract charges apply to activities within the sub-contract period.
  - c. All sub-contract charges have been invoiced by Sub-contractor.
  - d. Appropriate sub-contract invoices (i.e., cost-reimbursable contracts) are properly support by sub-contractor supplied accounting records and do not exceed the total authorized amount.

- e. All sub-contract charges have been invoiced by Sub-contractor.
- f. Appropriate sub-contract invoices (i.e., cost-reimbursable contracts) are properly supported by sub-contractor supplied accounting records and that F&A calculation and benefits rate have been verified and are consistent with that terms of the subcontract.
- g. All outstanding questions related to charges invoiced amounts received have been properly resolved by the Subrecipient.
- h. The value of any cost sharing by the sub-recipient has been properly documented and reviewed by UCD personnel that is knowledgeable about the project and is in a position to verify financial information from the subrecipient.

**EXHIBIT A**  
**Subrecipient Monitoring**  
**Invoice Review Checklist**

The following checklist is a guide for reviewing subrecipient invoices. If you have questions regarding the accuracy and allowability of the expenses invoiced, ask the subrecipient for additional information and DO NOT APPROVE the invoice for payment until all items are resolved appropriately. Please contact your Grants & Contracts/Sponsored Programs Accounting campus office for any assistance.

Step Complete?	Review Step
	<p>1. Does the total amount invoiced agree with the total of expenses listed by budget category? Subrecipients should have a total invoice amount and also a detail of the expenses by budget category. Re-calculate the detail expenses and ensure it agrees with the total invoice amount.</p>
	<p>2. Is the F&amp;A calculated correctly with the correct and agreed upon rate for the subrecipient? Some expenses are exempt from F&amp;A charges. Ensure the F&amp;A calculated agrees with the methodology in the budget and only includes expenses that can be charged F&amp;A.</p> <p>Examples of expenses that are exempt from F&amp;A:</p> <ul style="list-style-type: none"> <li>• Capital equipment expenses</li> <li>• NSF does not specifically allow F&amp;A to be charged on Participant Support Costs.</li> <li>• Patient care costs</li> </ul>
	<p>3. Were all the expenses incurred within the subcontract start and end dates? Ensure that the dates on the invoice are within the subcontract dates. The University's financial system will stop the payment if the invoice dates do not agree with the subcontract dates.</p>
	<p>4. Are the expenses in agreement with the subcontract budget?</p> <p>Examples:</p> <ul style="list-style-type: none"> <li>• Are the expenses that are invoiced included in the subcontract budget? The subrecipient should only invoice for approved expenses per the subcontract or ask for approval of changes.</li> <li>• Are the cumulative expenses per budget category in agreement with the budget amount per category? <ul style="list-style-type: none"> <li>○ Does the total spent per budget category agree with the subcontract budget categories? Has the subrecipient overspent in one budget category and underspent in another budget category? For example, are they charging less in salaries but more laboratory expenses?</li> <li>○ If there have been changes to the budget, ensure the changes are in agreement with the programmatic objectives and allowable per the prime Sponsor. Some awards require prior approval from the Sponsor for budget changes.</li> </ul> </li> <li>• Are the cumulative expenses within the overall budget amount? Ensure that subrecipients are not invoicing for amounts over the budget. Our financial system will stop the payment if over the authorized budget amount.</li> </ul>

	<p>5. Are the expenses in agreement with the programmatic plan or work completed to date? The expenses invoiced should agree with the work incurred if the agreement is a cost reimbursable contract.</p> <p>Examples:</p> <ul style="list-style-type: none"> <li>• Were there programmatic changes that would cause changes to the types of expenses? For example, if the programmatic changes resulted in no need for study subject payments, subcontracting by the subrecipient, or consulting, the invoices should not contain these types of expenses.</li> <li>• Is the subrecipient invoicing for salaries during a time when it is known that no work should be occurring due to the programmatic plan? For example, the subcontract involves holding summer camps with all effort occurring during May through September. The subrecipient should not invoice salary costs that were incurred during March.</li> </ul>
	<p>6. Are the expenses allowable per the subcontract and the prime award? Remember the prime award requirements and budget restrictions flow down to the subrecipient.</p> <p>Examples:</p> <p>The following are examples of sensitive expenditures. If these types of expenses are invoiced, ensure that the subcontract explicitly approved these expenses as allowable per the prime award:</p> <ul style="list-style-type: none"> <li>• Food/Official functions</li> <li>• Honorarium</li> <li>• Study subject payments – ensure appropriate IRB approvals occurred.</li> <li>• Local telephone service</li> <li>• Postage</li> <li>• Office supplies</li> <li>• Membership Dues</li> <li>• Administrative salaries</li> </ul>
	<p>7. Are expenses on a cost reimbursable subcontract charged based on actual expenses or does it appear to be an allocation of the budget? For example, are the invoices consistently the same amount each month? Cost reimbursable subcontracts require invoicing <b>based on actual expenses only</b>.</p>
	<p>8. Does the invoice contain the following statement:</p> <p>"I certify that all expenditures reported (or payment requested) are for appropriate purposes and in accordance with the provisions of the application and award documents."</p> <p>Also, is it signed by the subrecipient? These are requirements of Federal regulation, OMB Circular A-21.</p>
	<p>9. If the subcontract included cost sharing requirements, does the invoice contain the required cost sharing information? Cost Sharing expenses must follow the same rules as the expenses paid by the prime award. Ensure the cost sharing expenses complies with the agreement, including amounts and types of expenses.</p>
<p><b>REMEMBER:</b></p>	<p><b>IF THERE ARE ANY QUESTIONS ON THE INVOICES, DO NOT APPROVE UNTIL ALL ITEMS ARE APPROPRIATELY RESOLVED.</b> Please contact your Grants &amp; Contracts/ Sponsored Programs Accounting campus office for any assistance.</p>