

# Vanderbilt University Subrecipient Monitoring Guidelines

*Revision Effective December 26, 2014*

## Purpose

To provide guidance which ensures that subrecipients conduct their portions of sponsored projects in compliance with laws, regulations and terms and conditions of awards and subawards and that reimbursed costs incurred by subrecipients are allowable.

## I. INTRODUCTION

### Definition

A subrecipient is a third party organization performing a portion of an externally funded Vanderbilt sponsored project.

### Applicability

Subcontracts, subawards and subgrants made by Vanderbilt under federal grants, contracts and cooperative agreements are subject to these guidelines. Likewise, subcontracts from other entities (universities, local government units, states, etc.) which are funded by federal agencies are subject to the same regulations as federal awards made directly to Vanderbilt.

### Federal Regulations

The federal regulations that describe subrecipient monitoring are contained in the Office of Management and Budget (OMB) [\*“Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards”\*](#) Additional information is available on the OMB website at: [https://www.whitehouse.gov/omb/grants\\_docs](https://www.whitehouse.gov/omb/grants_docs) The federal requirements in this area are general but contain the following core elements.

- Ensure that potential or current subrecipients are not on the **Excluded Parties List System (EPLS)**
- Advise subrecipients of all applicable federal requirements by including the appropriate flow-down provisions from the prime agreement
- Oversee routine receipt and review of **Technical Performance Reports included in progress reports and address any noted deficiencies**
- Compare subrecipient **Expenses to Budget**
- Conduct **On-Site Visits and/or maintain Regular Contact**
- Perform **Audits**, if necessary
- Review of single audit reports to determine if any findings pertain to the subrecipient relationship
- Review of **Corrective Actions** taken by the subrecipient in response to findings that relate to the subrecipient relationship
- Consider subrecipient interdictions in those instances where the subrecipient shows continued inability or unwillingness to have required audits or correct instances of non-compliance
- Perform Risk Assessment analysis for subrecipients

The above list is not exhaustive of all compliance requirements. In addition to the general compliance elements noted above, there may be additional sponsor or program requirements that require collection and documentation of assurances related to lab animals, human subjects, biohazards, etc. during the life of a project.

### **Vanderbilt University's Subrecipient Monitoring Guidelines**

The Office of Sponsored Programs (OSP) for University Central and Vanderbilt University Medical Center (VUMC), the Office of Contract and Research Administration (OCRA) for University Central and the Office of Contracts Management (OCM) for VUMC are responsible for obtaining and verifying the following information when reviewing sponsored proposals. This includes:

- Verifying and obtaining F&A and fringe benefit rates for potential subrecipients
- Verifying that proposal budget information is correct and comprised of allowable costs
- Verifying that potential subrecipient proposals have the proper approvals by authorized officials at the subrecipients organization
- Ensuring that the subrecipients proposal has the approval of the Principal Investigator (PI) and appropriate department and school officials at Vanderbilt
- Ensuring that subrecipients are not on the debarment listings prior to executing a new subcontract or entering into a renewal agreement for an existing subcontract.
- Ensuring that subrecipient agreements on federal awards include the federal agency and the Catalog of Federal Domestic Assistance (CFDA) number as required by the Single Audit
- Ensuring that subrecipient agreements on federal awards include the Data Universal Numbering System (DUNS) identifier for all sub-awardees as required by the Federal Funding Accountability and Transparency Act of 2006.
- Ensuring all subcontracts include a clause requiring subrecipient's invoices to state that costs are in compliance with Uniform Guidance and/or the sponsor's requirements.
- Ensure that subrecipient agreements include appropriate conflict of interest language and state whether financial conflict of interest requirements of the subrecipient or grantee apply.

On an annual basis, the Office of Sponsored Programs (OSP) in collaboration with the Office of Contract and Grant Accounting (OCGA)/VUMC Finance will review all active subrecipients for which monitoring is required and conduct additional review of those needing further scrutiny. Some of the factors used to determine the amount of scrutiny applied include:

- **Prior Experience with the Subrecipient, a New Subrecipient, an Inexperienced Subrecipient, A Subrecipient with a History of Noncompliance are all factors impacting the level of monitoring required** – Organizations which exhibit any of the above characteristics may require additional monitoring.
- **Subrecipient Location** – Remoteness from Vanderbilt may mandate additional monitoring. There may also be additional risk for foreign subrecipients requiring additional monitoring.
- **Type of Organization** – Organizations not subject to Single Audit will require additional and different monitoring.
- **Percentage Passed Through** – The larger the percentage of award passed through, the greater the need for monitoring.
- **Subrecipients' Systems and Administrative Operations**

Upon identification of all subrecipients, appropriate monitoring actions will be taken to ensure compliance with subcontract performance, financial terms and conditions, and all applicable federal rules and regulations. OCGA/VUMC Finance will coordinate these actions to avoid duplication of effort.

In addition to routine monitoring procedures, OCGA/VUMC Finance will work with PIs and department grant administrators to establish channels of communications with subrecipients that require further scrutiny. Administrators at such subrecipient sites may be required to complete questionnaires for Vanderbilt to document internal controls and grant management procedures. Subrecipients not subject to Single Audit may be required to submit additional supporting documentation if circumstances warrant.

### **Departmental Subrecipient Monitoring Procedures**

The frequency and scope of departmental monitoring procedures should be determined by the responsible PI, department chair and departmental grant administrator in coordination with OCGA/VUMC Finance. A “risk based” approach is recommended utilizing the guidelines as stated above.

PIs, departmental grant administrators, department chairs and OCGA/VUMC Finance staff must incorporate the following monitoring procedures.

- **Review of Technical Performance Reports** – PIs should require periodic (at least annually) reviews of scientific and/or technical reports on a timely basis. Any unusual items should be investigated, documented and retained in the department’s files. If there are technical deficiencies that may require the PI to consider terminating the collaborative relationship, they should be documented in writing and forwarded to the Department Chair, Dean and appropriate sponsored program office. Based on this information, a decision will be reached on how to remedy.
- **Review of Invoices** – The routine review of invoices is required for all cost reimbursement subagreements. The subrecipient’s invoice should provide cost information indicating both current and cumulative expenses. Departmental grant administrators (or OCGA for University Central) will ensure that there is a currently active signed subcontract before approving payment, review each invoice received to determine the invoice does not overlap or duplicate a previous invoice and compare these invoices to established subaward budgets. Any discrepancies noted in the review should be documented, discussed and resolved in consultation with OCGA/VUMC Finance staff.
- The departmental grant administrator (for VUMC) or OCGA (for University Central) shall confirm that the subrecipient invoice contains a statement certifying that costs are in compliance with Uniform Guidance and/or sponsor requirements prior to submitting the invoices for processing.
- Both PIs and departmental grants administrators must signify their approval of invoices. The grants administrator shall signify approval by signing the invoice. The PI’s approval may be obtained in writing or via email. If email is utilized then the invoice shall be sent to the PI and approval will be signified by return email. A copy of the email will be attached to the invoice. Approved invoices will be forwarded to OCGA or VUMC Finance for payment. In the event that a PI is not available (such as when they are traveling for an extended period), a designee that has direct knowledge of the work performed may approve the invoice on an exception basis. By the PI’s approval, he/she is attesting that the charges appear reasonable and the progress to date for the project is satisfactory and complies with the statement of work.
- **Clarification of Invoiced Charges** – Any charges which appear to be unallowable, unusual or excessive will be investigated and resolved by the departmental grant administrator prior to approval.
- **On-site Visits** – This is a discretionary monitoring procedure that could be conducted by the PI, department officials or central research administration officials to evaluate compliance with scientific objectives, appropriateness of subrecipient’s administrative systems, processes and charges.
- **Audits** – Discretionary audits of subrecipients are an acceptable monitoring procedure and all university cost reimbursement subagreements contain an audit clause which provides this capability if necessary. Formal audits are infrequent and should be initiated with OCGA/VUMC Finance.

- **Single Audit Compliance Confirmation** –OSP in collaboration with OCGA/VUMC Finance will on an annual basis obtain the information indicated on Attachment A for each subrecipient. Depending on the responses provided additional follow up may be needed to ensure that funds are being properly administered.
- **Single Audit Reports** – If there is a need to review the Single Audit report based on the information provided in the compliance confirmation, the reports can be viewed in the Federal Audit Clearinghouse (FAC) database available at <http://harvester.census.gov/sac>. This review is an acceptable substitute for obtaining and reviewing the subrecipient’s audit report.
  - Subrecipients who continually demonstrate the inability or unwillingness to submit the required confirmation and/or audits may be subject to sanctions by Vanderbilt.
  - Subrecipients who have Single Audit findings which mention the subagreement will be required to respond to the finding(s) and, depending on the situation, will need to provide a refund or submit a corrective action plan.
  - Cross-cutting findings could also have a possible impact on the subrecipient relationship and will need to be evaluated to determine if a corrective action plan is needed.
- **Subrecipients not Subject to Single Audit** – Single Audit does not apply to foreign or for-profit entities. Methods to assess compliance for these subrecipients may include requests for audited entity financial statements, certification of compliance with cost guidelines and on-site or desk audits. There may also be additional sponsor regulations that should be considered for these subrecipients.

**Roles and Responsibilities:**

- **PIs**
  - Review of Technical Performance Reports
  - Review and Approval of Invoices (in coordination with departmental grants administrator)
  - Clarification of Expenses that Appear Inappropriate (in coordination with departmental grants administrator)
  - On Site Visits (if necessary to verify compliance with scientific objectives)
- **Department Chairs**
  - Provide oversight to PI and Departmental Grant Administrators to ensure compliance with subrecipient monitoring requirements
- **Departmental Grant Administrators**
  - Obtain an approved proposal from proposed subrecipients for inclusion in proposal submitted to proposed sponsors.
  - Review of invoices and comparison of invoices to established subaward budgets.
  - Clarification of any charges which appear to be unallowable, unusual or excessive.
- **OCGA (University Central)/ VUMC Finance (Medical Center)**
  - Review, approve and process subrecipient invoices upon receipt and proper authorization from the PI/Departmental Grant Administrator.
  - Conduct annual subrecipient monitoring as provided in this policy.
  - Determine what form of monitoring is required for subrecipients not subject to Single Audit.
- **OCRA (University Central )/OCM (Medical Center)**
  - Ensure each subrecipient proposal has the approval of the PI and appropriate department and school officials at Vanderbilt
  - Ensure subrecipients, principals, or those performing services under subrecipient agreements are not presently debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded by any Federal department or agency from participation.
  - Verify and obtain F&A and fringe benefit rates for potential subrecipients
  - Verify that proposal budget information is correct and comprised of allowable costs

- Verify that potential subrecipient proposals have the proper approvals by authorized officials at the subrecipient's organization
- Perform a risk based assessment for each subaward issued (Attachment B)
- Investigate apparent conflicts of interest and advise the appropriate University conflicts committee of any findings.

**Contacts:**

**Office of Sponsored Programs 875-6070**

<http://www.vanderbilt.edu/osp/>

**Office of Contracts Management 322-2281**

<http://www.mc.vanderbilt.edu/ocm/index.php>

**Office of Contracts and Research Administration 322-2631**

<http://www.vanderbilt.edu/dsr/>

**VUMC Finance 322-3293**

<https://dof.mc.vanderbilt.edu/Pages/default.aspx>

**Office of Contract and Grant Accounting 343-6655**

<http://www.vanderbilt.edu/ocga/index.htm>

**Sub-Recipient A-133 Compliance Confirmation for the Fiscal Year July 1, XXXX through June 30, XXXX, Vanderbilt University Subcontract # \_\_\_\_\_ ; CFDA # \_\_\_\_\_ ; Subrecipient Name \_\_\_\_\_**

Because your organization is a sub-recipient of Federal funds subcontracted to you by Vanderbilt University, you may be required to have on file with us certain information as directed by the Office of Management and Budget (OMB) "[Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards](#)" ("Uniform Guidance"). As a sub-recipient of Federal funds, we are requesting certification from your organization that you are in compliance with the Uniform Guidance requirements.

Legal Entity Name: \_\_\_\_\_

Legal Name of Parent Entity: \_\_\_\_\_

DUNS+4 Number: \_\_\_\_\_ CAGE Code Number: \_\_\_\_\_

Single Audit Contact Name: \_\_\_\_\_ Title: \_\_\_\_\_

Contact's Email Address: \_\_\_\_\_ Phone: \_\_\_\_\_ Fax: \_\_\_\_\_

Mailing Address: \_\_\_\_\_ City: \_\_\_\_\_ State: \_\_\_\_\_ Zip: \_\_\_\_\_

Country: \_\_\_\_\_ Congressional District (required for all U.S. contractors): \_\_\_\_\_

Direct URL to access audit report: \_\_\_\_\_

**For the subagreement listed above, answer the following questions.**

1. Is work being performed outside of Congressional District listed above? \_\_\_\_\_ (If yes, answer 1a and 1b)  
1a. Congressional District where work is being performed \_\_\_\_\_ 1b. Amount of funds being spent in 1a \_\_\_\_\_
2. Has your organization issued any subawards under this subagreement? \_\_\_\_\_ If yes, name of organization and subaward # \_\_\_\_\_

**Please check the appropriate item and provide any required reports, as applicable:**

\_\_\_\_ We are not subject to the audit requirements of Uniform Guidance because our organization expended less than \$500,000 in Federal funds during our fiscal year ended \_\_\_\_\_. However, we have included a copy of our audited financial statements for that fiscal year with this certification.

\_\_\_\_ We are not subject to the audit requirements of Uniform Guidance because we are a for-profit organization. However, we have included a copy of our financial statements and management letter for our fiscal year ended \_\_\_\_\_.

\_\_\_\_ We have completed our Single Audit for fiscal year \_\_\_\_\_ to \_\_\_\_\_. There were no material weaknesses, material instances of noncompliance, or findings related to any subawards from Vanderbilt University were noted.

\_\_\_\_ We have completed our Single Audit for fiscal year \_\_\_\_\_ to \_\_\_\_\_. Material weaknesses, material instances of noncompliance, and/or findings related to subawards from Vanderbilt University were noted. A copy of the audit report and our corrective action plan is included.

\_\_\_\_ We have not yet completed our Single Audit for fiscal year \_\_\_\_\_ to \_\_\_\_\_. We expect the audit to be completed on or about \_\_\_\_\_. We will send either written notification or a copy of the audit report within thirty days of its completion.

*I certify that the above-marked information accurately represents the organization of which I am an authorized representative. Further, I certify that all relevant material findings in the audit report, if complete, have been disclosed.*

Signature \_\_\_\_\_ Date \_\_\_\_\_

Name and Title (please print) \_\_\_\_\_

**Any questions please contact Olivia Soxayachanh (615) 343-6655 or [olivia.soxayachanh@vanderbilt.edu](mailto:olivia.soxayachanh@vanderbilt.edu). Please return form to Vanderbilt University, Office of Contract and Grant Accounting, VU Station B 401591, Nashville, TN 37240-1591.**

## **Attachment B**

### **Risk Assessment Process:**

This process outlines the central office activities to be conducted in monitoring subrecipient activity associated with Sponsored Programs at time of subaward negotiation. This procedure delineates specific business activities that should be performed in managing subrecipients of sponsored awards.

When negotiations begin, OCM/OCRA will request documentation from the potential subrecipient using VU's Subrecipient Information Form.

This document is designed to assist in collection of data elements used in assessing risk and information required for compliance with federal regulations such as those governing research with human or animal subjects, conflict of interest disclosures, OMB Uniform Guidance and Federal Register rules and regulations.

Before executing a subrecipient agreement, in collaboration with OSP/VUMC Finance/OCGA, OCM/OCRA will conduct an assessment to identify potential risks associated with doing business with the subrecipient. A subrecipient risk assessment may take into account several factors, including but not limited to:

- whether the potential subrecipient is subject to Single Audit or other federal financial review
- evidence of effective financial controls within the subrecipient's systems and administrative operations
- percentage passed through to subrecipient;
  - As a guideline, awards greater than 50% of Vanderbilt's prime award may receive substantial and frequent monitoring
- prior experience with the subrecipient (e.g. Pre-award negotiations, financial/operational reporting accuracy and timeliness, response to requests, etc.)
- type of subrecipient organization (for-profit / not-for-profit / corporation / foreign / domestic)
- organizational and individual conflict of interest
- confirmation that the subrecipient is not listed on the Excluded Parties List System

Where the risk assessment reveals a high potential for financial risk, OCM/OCRA contract analyst responsible for negotiating the subaward will document the approach taken to mitigate the concern. OCRA /OCM will consult, follow and document their standard operating procedures to ensure that the appropriate approvals are acquired prior to establishment of the subaward.