



# TEXAS TECH UNIVERSITY HEALTH SCIENCES CENTER EL PASO

## Operating Policy and Procedure

**HSCEP OP:** 65.09, **Subrecipient Monitoring**

**PURPOSE:** The purpose of this Texas Tech University Health Sciences Center El Paso (TTUHSC El Paso) Operating Policy and Procedure (HSCEP OP) is to satisfy the requirements of the Office of Management and Budget (OMB) 2 CFR Part 200.332 by establishing procedures for monitoring subrecipients and for obtaining and acting on subrecipient audit reports and management letters.

**REVIEW:** This HSCEP OP will be reviewed May 1 of every odd-numbered year by the Director of Contracts and Grants Accounting (CGA) and the Directors of Sponsored Programs (SP), with recommendations for revisions submitted to the Vice President (VP) for Research and the Chief Financial Officer (CFO), or designee, by June 1.

### **POLICY/PROCEDURE:**

As a prime recipient of external funds from sponsors, TTUHSC El Paso is required to monitor subrecipients in accordance with OMB 2 CFR Part 200.332. Further, as a prime recipient of external funds from federal, state, and other third-party sponsors, TTUHSC El Paso is governed by specific financial and administrative regulations regarding the management of grants and contracts. When TTUHSC El Paso assigns responsibility for conducting a portion of the work sponsored by an award to a subrecipient institution, these same regulations govern the subrecipient.

I. **Applicability.** This HSCEP OP applies to each subrecipient agreement/subaward that is funded directly or indirectly from an external sponsor or is used as cost sharing or matching for an externally funded project. Vendor and contractor agreements are not subject to this policy.

#### II. **Subrecipient vs. Vendor Determination**

The Principal Investigator (PI) or other designated personnel should determine whether a subrecipient or vendor relationship exists between TTUHSC El Paso and a third party involved in the sponsored agreement by using the following criteria:

#### **Subrecipient Characteristics**

A subrecipient is a third-party entity that receives a subaward agreement for the performance of a portion of the work statement covered by a prime agreement awarded to a pass-through entity (TTUHSC El Paso) that is funded either directly or indirectly with sponsored funds. Pursuant to that agreement, the third-party entity performs a portion of the work of TTUHSC El Paso's sponsored project. Subrecipient entities can be identified by criteria including, but not limited to, the following:

- Services provided by the third-party are uniquely designed in response to individual projects and are not provided commercially.
- The third-party can make programmatic decisions and participate in the development and execution of the work performed.
- Services provided by the third-party are measured against whether the objectives of the sponsored project have been met.
- The third-party's results are likely to be published in scientific literature and/or is likely to be a co-author on any publications for the project.

## Vendor Characteristics

A vendor is a distributor, merchant or other seller providing goods or services that are required in the execution of a sponsored project and can be identified with criteria including, but not limited to, the following:

- The vendor provides goods or services as a normal part of their business operations.
- The vendor provides similar goods and services to many different purchasers.
- The vendor operates in a competitive environment.
- The vendor provides goods or services that are merely ancillary to the sponsored project.

### III. Contracting Requirements.

- A. Subrecipients should be identified during the proposal stage of the sponsored project. Prior to the proposal submission, SP will have the PI fill out a Subrecipient vs Contractor Checklist to identify and confirm that a subrecipient relationship exists. A need may arise during the life of the funded project that requires a subrecipient not anticipated at the time of the proposal. This instance normally requires approval from the sponsor prior to entering into the subaward. SP will have the PI fill out a Subrecipient vs Contractor Checklist at this stage, as well.
1. SP should be contacted to determine if sponsor approval is required.
  2. After required information (i.e., subrecipient documentation, justification for the addition of a subrecipient, revised budget, revised budget justification, etc.) is obtained from the PI and proposed subrecipient, SP will contact the sponsor, if required, to request permission to add the subrecipient to the funded project.
  3. If subrecipient is approved, when applicable, a budget revision should be submitted to reserve the dollar amount contracted out to the subrecipient by transferring approved amount from the primary grant fund to a subrecipient fund at the direction of CGA.
  4. If subrecipient is approved by the sponsor, SP will issue the subaward agreement to the subrecipient.
  5. SP will provide a copy of the fully executed subaward agreement to the PI(s), department administrator and CGA.
- B. Agreements with subrecipients that meet the applicability test outlined in Section 1 above should include the following information related to the prime award:
- Assistance Listing Numbers (ALN), formerly known as Catalog of Federal Domestic Assistance (CFDA) number (if federal) and title of the prime award
  - Prime award name and number
  - Prime award year/period of availability of funds
  - Type of prime award
  - Name of sponsor providing funding for prime award
  - Agency contact information
  - Appropriate indirect cost rate if applicable
  - Subaward budget and any restrictions
  - Invoicing, financial reporting, and performance reporting requirements

In addition, agreements with subrecipients meeting the applicability test outlined in Section 1 above must contain the following clauses, with paragraph B.2 (below) applicable only to federally sponsored agreements:

1. **Records Inspection.** The accounting records and files of the subrecipient applicable to this subaward shall at all times be available for inspection, review, and audit by TTUHSC El Paso and its representatives to determine the proper application and use of all funds paid to the subrecipient.
2. **Audits.** The subrecipient agrees to submit to TTUHSC El Paso the following:
  - a. Copies of or a link to the single audit report(s) covering the subaward period(s);
  - b. Copies of any management letters that relate to compliance with federal laws and regulations;
  - c. Within six (6) months after the issuance of the audit report, a notice of corrective actions taken as a result of non-compliance with federal laws and regulations cited in the audit report or management letter.

Submissions must be forwarded as soon as possible following the close of each budget period of the subaward. In the event that the submissions cannot be made within twelve (12) months following the close of a budget period, the subrecipient must notify TTUHSC El Paso in writing of the anticipated date of submission. The submission must be within eighteen (18) months after the end of the budget period, unless approved by the subrecipient's appropriate federal agency. Submissions required under this article should be submitted to the following address:

Texas Tech University Health Sciences Center El Paso  
Office of Contracts and Grants Accounting | MSC 51005  
130 Rick Francis St  
El Paso, TX 79905-2841

- C. SP is responsible for ensuring that the above information is included in each applicable subrecipient agreement, as well as any other OMB Uniform Guidance or supplemental TTUHSC El Paso requirements imposed on the subrecipient. On rare occasions, the Contracting Office will draft subaward agreements with third-party institutions that meet the criteria of a subrecipient entity. In those instances, the Contracting Office is responsible for ensuring that these clauses are inserted into the related agreements.

#### IV. Roles and Responsibilities

- A. *PI or Other Designated Departmental Personnel:* In addition to any requirements stated above, the PI or their designated personnel are responsible for the following:
  1. Classifying subrecipient agencies as eligible and if necessary, as "high-risk" to indicate the need for an increased level of monitoring activities. A Subrecipient Monitoring Risk Assessment Tool needs to be completed, Attachment B. Agencies may be identified as "high-risk" due to the complexity of the project's compliance requirements, subrecipients with a large percentage or dollar awarded amount, agencies that do not fall under audit guidelines established by the OMB Uniform Guidance, foreign entities, or for other reasons identified by the PI or designated department personnel.
  2. Routine receipt and timely review of Technical Performance Reports, Financial Reports, and/or other reports required by the subrecipient agreement, including the identification of any unusual or unforeseen items. Such items, if present, should be investigated, and reports should be retained on file by the department for inspection by appropriate internal or external personnel. Such items, as well as any inspection requests, should be reported to SP.
  3. Continual monitoring of subrecipient budgets and performance of work.
  4. Comparison of subrecipient invoices to the established subrecipient budgets and assigned

work for the project. Evidence of the regular review of invoices should be kept on file. Sufficient evidence may include the initials of the PI, or designated personnel acknowledging a review has been completed. Inclusion of a signature authorization on invoices, e-mail or other communications, etc. also qualify as acceptance of items provided by the subrecipient.

5. Request and review of explanations for any unusual, miscellaneous, or other apparent excessive charges invoiced by the subrecipient. If explanations received are insufficient to satisfy documentation requirements, a request should be made to the subrecipient for detailed justification. Unallowable, undocumented or unreasonable charges invoiced by the subrecipient should be disallowed.
  6. Approval of all payments to subrecipients within thirty (30) days of the invoice receipt date, unless details presented on the invoice are questionable and the reason for the approval delay is documented. The subrecipient invoice must be reviewed for reasonableness compared to the state of the work contracted. The invoice should be submitted to CGA for review and payment processing.
  7. Scheduling and performing periodic on-site visits or other regular contact with the subrecipient to ensure proper adherence to contractual obligations.
    - a. On-site visits by the PI are discretionary and should be conducted to evaluate compliance with the scientific objectives of the project as well as the appropriateness of the subrecipient's administrative systems, processes, and charges.
    - b. Contact should be documented via correspondence, meeting notes, trip reports, etc. and must be kept on file for the duration of the project or longer if required by document retention rules.
  8. Notifying SP if the right-to-audit clause needs to be exercised for due cause.
- B. Sponsored Programs: In addition to any requirements stated above, SP is responsible for the following:
1. Notifying CGA of all subrecipient agreements by providing a copy of related agreements.
  2. Providing all federal and non federal subrecipients with ALN title (as applicable) and number for the program, award name and number, award year, type of award and the name of the federal sponsor as required by 2 CFR 200 (Uniform Guidance).
  3. Notifying subrecipients of the requirements imposed by laws, regulations, and the provisions of the contract or agreement as required by sponsor and the OMB Uniform Guidance.
  4. Ensuring any questions or concerns regarding Technical Performance Report deficiencies are appropriately investigated.
  5. Ensuring a Subrecipient Monitoring Risk Assessment Tool is reviewed with the PI or other designated departmental personnel at the time a subaward agreement will be issued, renewed, or extended.
  6. Ensuring all appropriate corrective action is taken by the subrecipient within six months of the audit report or that proper notifications are made.
  7. Determine if a subrecipient's audit findings necessitate an adjustment of the sponsored programs financial records.
  8. Upon receipt and consideration of a Subrecipient Monitoring Risk Assessment Tool as

identified in paragraphs A.1 and B.5 (above) in addition to the single audit information from CGA as identified in paragraph C.2 (below), obtain a management decision from the VP for Research, in conjunction with the PI or other designated departmental personnel, regarding the following:

- a. Corrective actions necessary for deficiencies identified in the audit.
  - b. Use of specific award conditions pursuant to part 200.339 of the OMB Uniform Guidance for those subrecipients who are noncompliant or nonresponsive, including the following:
    - i. Withholding authority to proceed to the next phase until receipt of evidence of acceptable performance within a given period of performance;
    - ii. Requiring additional, more detailed financial reports;
    - iii. Resorting to suspension and/or termination of subrecipient agreement;
    - iv. Establishing additional prior approvals;
    - v. Additional monitoring procedures as needed to ensure compliance.
    - vi. Reduce funding, as necessary
    - vii. Identify concerns in the annual progress report as required by the prime funding agency.
9. Maintain a list of all subrecipient agreements executed by SP, including the following data elements:
- Name of subrecipient institution
  - Dollar amount of subrecipient award
  - Performance period of subrecipient award
  - Award name and number of the associated prime award

C. CGA: In addition to any requirements stated above, CGA is responsible for the following:

1. Review of initial budget documentation for the existence of the appropriate subrecipient budget account code on prime awards for which CGA has been notified that subrecipient awards have been executed.

Ensure the department requests a new fund for the subrecipient award, which will be tied to the primary grant fund. Once subrecipient fund is established, notify the department to complete a budget revision to transfer the budget in the subawards budget account code from the primary grant fund to the subrecipient fund.

If the subrecipient agreement is not executed at the time of the primary grant fund setup, then any funds budgeted to the subawards budget account code will not be available for expenditures. When all required subrecipient information is available, the department will be required to submit a budget revision through the Budget Revision System as appropriate and in compliance with HSCEP OP 65.03.

If CGA has not received notification or copies of the existence of subrecipient awards, then it will be assumed that there are no subrecipient awards on the primary grant.

2. Contacting subrecipients annually utilizing the OMB Uniform Guidance Audit Certification Subrecipient Monitoring Requirements form included as Attachment A to this HSCEP OP. Upon receipt of the form and requested audit report, CGA will review the audit report to verify whether or not exceptions exist.
  - a. For those audit reports containing exceptions, CGA will provide a summarized list of the exceptions to SP for use in making risk assessments and management decisions pertaining to the audit findings and noncompliance with OMB Uniform Guidance provisions.
  - b. For those audit reports containing exceptions, determine if instances of subrecipient non-compliance necessitates any adjustment to TTUHSC El Paso's records.

- c. If no reply is received within 120 days after the form is originally sent, CGA will provide a list to SP of the subrecipients that failed to comply for use in making management decisions pertaining to the audit findings and noncompliance with OMB Uniform Guidance provisions.
3. Ensure invoice documentation supports amounts billed and meets the requirements of the award. On occasion, request clarification of invoiced charges that appear unusual, excessive, or questionable.