



## Subrecipient Risk Assessment and Monitoring of Northeastern University Issued Subawards

### What is a Subaward?

A Subaward is a contractual agreement between Northeastern University and a third party organization to perform a portion of a University sponsored project.

### Federal Terminology from the Code of Federal Regulations 2 CFR Part 200, Uniform Guidance

1. "Pass-through Entity" (Formerly "Prime Recipient") means a non-Federal entity that provides a Subaward to a Subrecipient to carry out part of a Federal Program (2 CFR 200.74)
2. "Subaward" (Formerly "Subcontract") means an award provided by a pass-through entity to a Subrecipient for the Subrecipient to carry out part of a Federal award received by the pass-through entity (2 CFR 200.92)
3. "Subrecipient" (formerly "Subcontractor"), means a non-Federal entity that receives a Subaward from a pass-through entity to carry out part of a federal program (2 CFR 200.93)
4. "Recipient" means a non-Federal entity that receives a Federal award directly from a Federal awarding agency to carry out an activity under a Federal Program. The term Recipient does not include Subrecipients. (2 CFR 200.86)

### The following grid outlines the key components of Subawards and Contractors and should be used as a guide to proper classification of contractual relationship:

<u>Subrecipient (formerly Subcontractor)</u>	<u>Contractor (formerly Vendor)</u>
Determines who is eligible to receive what Federal Assistance	Provides goods and services within normal business operations
Has its performance measurement in relation to whether objectives of a Federal program were met	Provides similar goods or services to many different purchasers
Has responsibility for programmatic decision making	Normally operates in a competitive environment
Is responsible for adherence to applicable Federal program requirements specified in the federal award	Provides goods and services that are ancillary to operation of the Federal Program
Uses the Federal funds to carry out a program for a public purpose specified in authorizing statute, as opposed to providing goods and services for the benefit of the pass-through entity	Is not subject to compliance requirements of the Federal programs as a result of the agreement, though similar requirements may apply for other reasons

In some cases, it may be difficult to tell the difference between a Subrecipient and a Contractor. However, the Subrecipient line item budget and statement of work will usually provide enough information to make this determination. If you have any questions when preparing a proposal budget, please contact your Office of Research Administration and Finance (ORAF) Grants Officer for assistance. Please note that it is in the PI's best interests that Contractor agreements and Subawards be identified in the proposal budget as accurately as possible, since the

assessment of indirect costs will be determined by the characteristics of the subcontract at the time it is issued. These and other restrictions are summarized below:

<b><u>Subaward (formerly Subcontract)</u></b>	<b><u>Contract Agreement (formerly Vendor Agreement)</u></b>
Requires prior approval from the Sponsor, if not originally included in the proposal.	Generally does not require prior approval of the Sponsor, subject to rebudgeting restrictions imposed on the particular category of cost.
Indirect costs are only assessed on the first \$25,000 of the Subaward. No additional indirect costs will be assessed on a Subaward during the approved period of the award under which it was issued. (e.g. during the 3-year lifespan of the award.) However, if there is follow-on funding beyond the originally approved period of the award (e.g. competitive renewal), then indirect costs will again be assessed on the first \$25,000 of each Subaward. It is particularly important to keep this in mind when preparing proposal budgets.	Indirect costs are assessed on entire amount, just as with most other direct costs.
Is exempt from sole-source justification or open-bid requirements (unless issued under a federal contract.)	Is subject to sole-source documentation or open-bid requirements
Is subject to federal Subrecipient monitoring requirements as outlined in 2 CFR Part 200.	Is not subject to federal Subrecipient monitoring requirements as outlined in 2 CFR Part 200.

**Guidelines for Subrecipient Risk Assessment and Monitoring**

As the Recipient and Pass-through Entity of Federal Awards, Northeastern University is required to monitor the activities of Subrecipients. The following is provided to assist faculty and staff in ensuring that Subrecipients conduct their portions of research projects in compliance with laws, regulations, and the provisions of Awards or Subawards; and that the project costs incurred by Subrecipients are reasonable and allowable.

*The requirements for Subrecipient Monitoring and Management are mainly contained in 2 CFR Part 200; Subrecipient Monitoring and Management:*

1. 2 CFR 200.330 Subrecipient and Contractor Determinations
2. 2 CFR 200.331 Requirements for Pass-Through Entities
3. 2 CFR 200.332 Fixed Amount Subawards

**Risk Assessment for Federally Sponsored Subrecipients**

Each Subrecipient must be evaluated for risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the Subaward for purposes of determining the appropriate Subrecipient monitoring. At the time of award, ORAF will assess the risk of each Subrecipient, which may include consideration of such factors as:

- (1) The Subrecipient's prior experience with the same or similar Subawards;
- (2) The results of previous audits including whether or not the Subrecipient receives a Single Audit in accordance with Subpart F—Audit Requirements of this part, and the extent to which the same or similar Subaward has been audited as a major program;
- (3) Whether the Subrecipient has new personnel or new or substantially changed systems; and

(4) The extent and results of Federal awarding agency monitoring (e.g., if the Subrecipient also receives Federal awards directly from a Federal awarding agency)

### **Subrecipient Monitoring**

Subrecipient Monitoring can take on various forms and is not limited to the practices described below. The 2 CFR Part 200 Omniscircular outlines the following forms of monitoring activity as necessary to ensure that the Subaward is used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the Subaward; and that Subaward performance goals are achieved.

*Pass-through entity monitoring of the Subrecipient must include:*

- (1) Reviewing financial and performance reports required by the pass-through entity.
  - (2) Following-up and ensuring that the Subrecipient takes timely and appropriate action on all deficiencies pertaining to the Federal award provided to the Subrecipient from the pass-through entity detected through audits, on-site reviews, and other means.
  - (3) Issuing a management decision for audit findings pertaining to the Federal award provided to the Subrecipient from the pass-through entity as required by §200.521 Management decision.
- (e) Depending upon the pass-through entity's assessment of risk posed by the Subrecipient (as described in paragraph (b) of this section), the following monitoring tools may be useful for the pass-through entity to ensure proper accountability and compliance with program requirements and achievement of performance goals:
- (1) Providing Subrecipients with training and technical assistance on program-related matters; and
  - (2) Performing on-site reviews of the Subrecipient's program operations;
  - (3) Arranging for agreed-upon-procedures engagements as described in §200.425 Audit services.
- (f) Verify that every Subrecipient is audited as required by Subpart F—Audit Requirements of this part when it is expected that the Subrecipient's Federal awards expended during the respective fiscal year equaled or exceeded the threshold set forth in §200.501 Audit requirements.
- (g) Consider 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.
- (h) Consider taking enforcement action against noncompliant Subrecipients as described in §200.338 Remedies for noncompliance of this part and in program regulations.

*Other considerations for monitoring of the Subrecipient include:*

- (1) Size of Subrecipient Award. Other factors being equal, large Subrecipient awards (for example, with annual budgets > \$500K) may receive more substantial and/or more frequent review and monitoring than smaller awards.
- (2) Following-up and ensuring that the Subrecipient takes timely and appropriate action on all deficiencies pertaining to the Federal award provided to the Subrecipient from the pass-through entity detected through audits, on-site reviews, and other means.
- (3) Award size relative to the Subrecipient's sponsored research portfolio.
- (4) Percentage pass through; the larger the percentage of program award passed through, the greater the need for Subrecipient monitoring.

- (5) Award complexity, sensitivity of the work and/or extensiveness of the governing regulations.
- (6) Prior experience with the Subrecipient, e.g. a new Subrecipient, a history of non-compliance, having new personnel, or having new or substantially changed systems.
- (7) Subrecipient location or for-profit status (remoteness from Northeastern University may mandate more oversight); increased risk associated with some foreign and for-profit Subrecipients dictates that they might merit a greater degree of review, evaluation, and attention.
- (8) Degree of external oversight by auditors or sponsoring agencies. Note that Northeastern is obligated to monitor Subrecipients of its federal awards, regardless of Subrecipients being subject to yearly 2 CFR Part 200 single audits.
- (9) Sophistication of the Subrecipient's systems and administrative operations.
- (10) Debarment and Suspension of the Subrecipient's PI or the Subrecipient.
- (11) Any Conflict of Interest.

Upon identification of Subrecipients that mandate closer scrutiny, based on the above review criteria, ORAF will take appropriate monitoring actions to ensure compliance with Subaward agreement performance, financial terms and conditions, and with all applicable Federal rules and regulations.

In addition to routine monitoring procedures, ORAF staff will work with PI's and department administrators to establish channels of communication with Subrecipients that require further scrutiny. Administrators at such Subrecipient sites may be asked to complete questionnaires (to be filed at Northeastern) documenting their internal controls and grants management procedures. In addition, Subrecipients that are not subject to 2 CFR Part 200 may be asked to submit supporting documentation in the form of original receipts, copies of payroll records, audits, etc. if circumstances warrant.

The University will not normally permit second tier Subaward arrangements (a Subaward issued by one of Northeastern's Subrecipients). If, in the event of an unusual circumstance where the need for a second tier Subaward is identified, the arrangement must be approved by the Associate Vice Provost for Research Administration.

### **Roles and Responsibilities**

*It is the responsibility for the Principle Investigator to:*

1. Make initial determination as to where a Subrecipient or contractor relationship exists.
2. Identify Subaward programmatic activity in separate statements of work, budgets, and letters of intent in the original proposal.
3. Complete and sign a Subcontract Request Form (located on ORAF's web site) to authorize the initiation of the subcontract.
4. Determine the frequency and scope for monitoring programmatic activities of a Subrecipient, to include regular contact with the Subrecipient.
5. Ensure Subrecipients comply with the technical provisions of the Subaward.
6. Ensure that department personnel involved in financial administration of sponsored projects are familiar with the policy for Subrecipient Monitoring.
7. Monitor awards to insure that costs are appropriate, approved, and accumulated in the Banner Accounting System.
8. Ensure that all required Subrecipient programmatic reporting is current.
9. Approve all Subrecipient invoices in consultation with the individual who is aware of the cost incurred in relation to the work performed in the subcontract. The PI must review and approve all Subrecipient invoices and forward to Research Finance for review and signature, and transmittal to Accounts Payable for payment processing.
10. Keep detailed records of communications regarding unsatisfactory performance by the Subrecipient.
11. Determine when a Subaward is to be amended. Common reasons for amending a Subaward include providing additional funding, extending the period of performance, or modifying the reporting schedule. Some changes, such as scope-of-work changes, change in Subrecipient's principle investigator, or transferring the Subaward from one recipient to the other, may require the prior approval of the prime sponsor. Contact your ORAF Grants Officer for guidance and assistance.

*It is the responsibility ORAF to:*

1. Verify whether a Subrecipient or Contractor relationship exists.
2. Review proposals prior to submission to assure that Subaward (Subrecipient) arrangements are appropriately budgeted in the Pass-Through Entity Award (Subrecipient statement of work, budget, and letter of intent).
3. Ensure appropriate Notice of Award flow-down terms and conditions are included in the Subaward agreement.
4. Upon request, advise PI's and College Administrators of flow-down requirements from Notice of Award flow-down terms and conditions to Subaward agreements.
5. Ensure that Subrecipients meet the Yearly Single Audit requirements of 2 CFR Part 200.
6. Review Yearly Single Audit Reports for Subrecipients expending \$750,000 or more in Federal awards during a fiscal year. This can be performed by reviewing the reports filed with the Single Audit Clearinghouse or by obtaining annual certification by the Subrecipients for compliance with Yearly Single Audit requirements of 2 CFR Part 200.
7. Where any audit finding exists, follow up with the Subrecipient to ascertain if the Northeastern Award is impacted.
8. Review that the corrective action cited by Subrecipients in response to the audit findings is timely and appropriate.
9. Obtain completed/signed "Subcontract Request Form" from the PI.
10. Draft appropriate Subaward Agreement and forward to the Subrecipient.
11. Negotiate, in conjunction with General Counsel, changes to the Subaward Agreement requested by the Subrecipient.
12. After partial execution of the Subaward Agreement from the Subrecipient, obtain signature of the Northeastern University authorized official to fully execute the Subaward agreement.
13. Process requisition/purchase order in Northeastern's purchasing system.
14. Enter Subaward information into Federal Funding Accountability and Transparency Act (FFATA) Subaward Reporting System (FSRS).