

<b>Section:</b>	II.3.64	
<b>Title:</b>	Subrecipient Monitoring Operating Policy	
<b>Effective Date:</b>	August 1, 2021	
<b>Approved By:</b>	Offices of Academic Affairs and the Treasurer	
<b>Responsible Unit:</b>	Office of Grants and Sponsored Research – (609) 771-3255 Finance & Business Services – Post-Award Grants, Office of the Treasurer – (609) 771-2186	
<b>Related Documents:</b>	<ul style="list-style-type: none"> <li>• <a href="#">Financial Conflict of Interest Policy</a></li> </ul>	
<b>History:</b>		
<u>Version</u>	<u>Date</u>	<u>Notes</u>
2.0	August 1, 2021	Revised
1.0	May 13, 2015	New Policy; initial release

## I. INTRODUCTION

This operating policy outlines institutional responsibilities to ensure subrecipients comply with Federal laws and regulations and with the provisions of any agreements that govern the subaward.

## II. DEFINITIONS

Pass-through Entity (PTE): A federal or non-federal entity that awards a component of a Federal research award to a subrecipient to carry out the particular scope of work in support of the overall externally sponsored research project. *The College of New Jersey (TCNJ) is the pass-through entity referenced throughout this policy.*

Pass-through Funds: Funds issues to TCNJ that are then awarded to a subrecipient per the terms of the subaward.

Subrecipient: A non-Federal entity that receives a subaward from a pass-through entity to carry out part of a sponsored project or program.

Subaward: An enforceable agreement issued to a subrecipient by a PTE to carry out a substantive portion of a sponsored project's activities per the terms of the prime and subaward agreements. Also known as a subcontract or subgrant.

Subrecipient Monitoring: Oversight activity that provides reasonable assurance that subawards are administered in compliance with applicable laws, regulations, and the provisions of the grant or contract agreement. This may include the

addition of special terms and conditions within the sub-award, additional technical oversight activity, or additional documentation required from the Subrecipient.

### **III. POLICY OVERVIEW**

It is the policy of The College of New Jersey (TCNJ or the College) to monitor subrecipients on sponsored projects in a manner consistent with the Office of Management & Budget's (OMB's) Code of Federal Regulations *Part 200— Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* ("Uniform Guidance"), State of New Jersey regulations, sponsor policies, and award terms and conditions. This Operating Policy defines the institutional activities and responsibilities necessary to ensure that, in addition to achieving performance goals, subrecipients comply with sponsor regulations and with the provisions of any agreements that govern the subaward.

#### **Reason for Policy**

TCNJ is responsible for monitoring the programmatic and financial activities of its subrecipients in order to ensure proper stewardship of sponsor funds. The Uniform Guidance, specifically sections §200.331 and §200.332, requires prime recipients of federal funds to monitor subawards and ensure subrecipients meet the audit requirements in Subpart F and use funds in accordance with applicable laws, regulations, and terms of the award. Failure to comply with these requirements could result in disallowance of subrecipient expenditures from the sponsored project, loss of the College's funding from the sponsor, or other sanctions. This Operating Policy applies to all subawards issued under sponsored programs made to the College without regard to the primary source of funding.

Subrecipient is an entity, usually but not limited to non-federal entities, that receives a subaward from a pass-through entity to carry out part of an award or sponsored project; but does not include an individual that is a beneficiary of such award. (Uniform Guidance §200.91).

A subaward may be provided through any form of legal agreement, including an agreement that the pass-through entity considers a contract (Uniform Guidance §200.92). It is the policy of the College to use a standard subaward agreement template to facilitate compliance with the Uniform Guidance requirements.

#### **Subrecipient and Contractor Determinations:**

As a pass-through entity, the College must make case-by-case determinations whether agreements for the disbursement of sponsored project funds makes the party receiving the funds a subrecipient or a contractor. Judgment is required in making this determination and the substance of the relationship is more important than the form of the agreement.

A subaward is for the purpose of carrying out a portion of a sponsored project and creates an assistance relationship between the College and the subrecipient. Characteristics which support the classification of the non-federal entity as a subrecipient include when the non-federal entity:

- Determines who is eligible to receive what assistance (if applicable to the sponsored project);
- Has its performance measured in relation to whether objectives of a program were met;
- Has responsibility for programmatic decision-making;
- Is responsible for adherence to applicable Federal or other program requirements specified in the award; and
- In accordance with its agreement, uses the 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.

A contract is for the purpose of obtaining goods and services for the College's own use and creates a procurement relationship with the contractor. Characteristics indicative of a procurement relationship between the College and the contractor are when the non-federal entity:

- Provides the goods and services within normal business operations;
- Provides similar goods or services to many different purchasers;
- Normally operates in a competitive environment;
- Provides goods and services that are ancillary to the operation of the sponsored project; and
- Is not subject to compliance requirements of Federal or other program requirements as a result of the agreement, though similar requirements may apply for other reasons.

Agreements that are determined to be contracts will solely follow the College's general procurement and vendor policies and procedures. The remainder of this Operating Policy does not apply to procurement relationships. Subaward agreements should be executed prior to the beginning of the period of performance.

## Responsibilities of TCNJ:

As a pass-through entity, TCNJ has several responsibilities that it must perform to comply with the Uniform Guidance. The College's responsibilities span from the proposal stage of the sponsored project to the close out of the award and require active involvement of the PI in monitoring the subrecipient's activities and expenditures for allowability (see *Allowable Costs Operating Policy*) and for compliance with the project scope, objectives, and deliverables (including program and financial reports/invoices) as outlined in the subaward agreement.

TCNJ must ensure that its subrecipients comply with the Uniform Guidance and its responsibilities include the following high-level activities in addition to the other monitoring and evaluation activities outlined in more detail below.

- Ensuring every subaward is clearly identified to the subrecipient as a subaward and includes all information required by the OMB Uniform Guidance §200.332. Flow down all applicable terms and conditions of the prime sponsor and any additional TCNJ requirements as applicable.
  - Subrecipient name (which must match registered name in DUNS);
  - Subrecipient DUNS number;
  - Federal Award Identification Number (FAIN) or TCNJ's award number for non-federal awards;
  - Federal award date or TCNJ's award date for non-federal awards;
  - Subaward period of performance start and end dates;
  - Amount of funds obligated by this action;
  - Total amount of funds obligated to the subrecipient;
  - Total amount of TCNJ's award;
  - Federal award project description;
  - Name of awarding agency, pass-through entity, and contact information for awarding official;
  - CFDA number and name (for federal awards only);
  - Identification of whether the award is research & development;
  - Indirect cost rate for TCNJ's award;
  - Requirements imposed by TCNJ on the subrecipient so that the award is used in accordance with federal statutes, regulations and the terms and conditions of TCNJ's award;
  - Additional requirements imposed by TCNJ on the subrecipient for TCNJ to meet its own responsibility to the awarding agency, including identification of any required financial and performance reports;
  - The approved federally recognized indirect cost rate

negotiated between the subrecipient and the Federal government for the subaward or, if no such rate exists, either a rate negotiated between TCNJ and the subrecipient or a de minimus indirect cost rate as defined in §200.414;

- A requirement that the subrecipient permit TCNJ and auditors to have access to the subrecipient's records and financial statements; and
  - Appropriate terms and conditions concerning close out of the subaward.
- Evaluating each subrecipient's risk of noncompliance with statutes, regulations, and the terms and conditions of the subaward for purposes of determining the appropriate subrecipient monitoring (discussed in further detail below).
  - Imposing specific subaward conditions upon a subrecipient if appropriate based on the risk assessment and on-going monitoring.
  - Monitoring the activities of the subrecipient to ensure 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. (See below for further details on monitoring.) Requiring each subrecipient to provide information as required under the Federal Funding Accountability and Transparency Act (FFATA) so that TCNJ can meet its reporting obligations.

### **Evaluating Subrecipient Risk of Noncompliance:**

During the proposal/pre-award process, each subrecipient's risk of noncompliance with statutes, regulations, and the terms and conditions of the subaward must be evaluated and documented. The results of this evaluation will affect the decision to enter a subrecipient relationship with the entity and the appropriate forms of subrecipient monitoring during the award period. Factors to consider include, but are not limited to:

- The subrecipient's prior experience with the same or similar subawards;
- The results of previous audits including whether the subrecipient receives a single audit in accordance with Subpart F—Audit Requirements of the Uniform Guidance, and the extent to which the same or similar subaward has been audited as a major program;
- Whether the subrecipient has new personnel, or new or substantially changed systems;
- The extent and results of Federal awarding agency monitoring (e.g., if

the subrecipient also receives Federal awards directly from a Federal awarding agency).

This evaluation will be performed and documented by the OGSR in collaboration with the PI and will be retained in the grant files. If there is doubt that the subrecipient will comply with all requirements, the OGSR and PI should strongly consider whether to enter into a subaward agreement with the entity and another entity should be identified to do the work.

### **Monitoring Subrecipients:**

Monitoring of subrecipient activities and progress on performance goals is essential to the prudent management of subawards and sponsored projects. All monitoring activities must be documented as part of the subaward file. The following monitoring methods must be utilized for all subawards:

- Reviewing financial and programmatic reports required by TCNJ in the subaward agreement;
- Following-up and ensuring that the subrecipient takes timely and appropriate action on all deficiencies pertaining to the award provided to the subrecipient by TCNJ detected through audits, on-site reviews, and other means;
- Issuing a management decision for audit findings pertaining to the award provided to the subrecipient by TCNJ.

Subrecipient invoices must be reviewed and approved by the PI within thirty (30) days of receipt. After the invoice has been approved, the PI can submit a check request for payment to the Office of Finance and Business Services. When reviewing the subrecipient's invoice, the PI should verify the expenditures reported are reasonable, necessary, consistent with the project budget, and otherwise in compliance with the allowable costs requirements (see the *Allowable Costs Operating Policy*). The PI's approval and submission of the check request for payment is certification that this review has been performed and that the results were satisfactory. The PI should request that the subrecipient provide clarification of invoiced charges that appear unusual, excessive, or otherwise questionable. The PI and local administrators may request detailed justification to verify the allowability of the cost. Examples of detailed justifications include, but are not limited to:

- Payroll records;
- Copies of paid invoices showing item cost and procurement records;
- Descriptions of services rendered by consultants including hourly rates and time reports;

- Details of incurred travel charges stating the purpose of the travel; and/or
- Records supporting allowable costs.

Subrecipient programmatic reports must be reviewed and retained by the PI.

Any questions or issues that arise from review of financial and programmatic reports must be documented, investigated, and resolved. All communications with subrecipients should be retained in grant files.

One or more of the above methods may be appropriate if the risk assessment revealed the following:

- The subrecipient did not comply with statutes, regulations, or terms and conditions of subawards from prior experience;
- The subrecipient does not have an audit in accordance with Subpart F— Audit Requirements of the Uniform Guidance;
- Audits of the subrecipient included a finding related to the program, either directly as it was audited as a major program or indirectly as the finding pertains to systems or processes used by the program;
- The program has new key personnel, or new or substantially changed systems that are critical to program performance and compliance; and/or
- Any other factors that indicate the required monitoring methods may not be sufficient.

Depending upon TCNJ's assessment of risk of noncompliance by the subrecipient, the College may also use the following methods to help ensure proper accountability and compliance with project requirements and achievement of performance goals:

- Providing the subrecipient with training and technical assistance on program-related matters;
- Performing on-site reviews of the subrecipient's program operations; and/or
- Arranging for agreed-upon-procedures engagements.

If subrecipient noncompliance is discovered through any means, the PI, OGSR, and Finance and Business Services – Post-Award Grants must be notified so the noncompliance can be documented, and appropriate action taken. The action

taken will depend on the nature and extent of the noncompliance. The subrecipient must be informed in writing of the noncompliance, method(s) for remediation, timeframe for remediation, and potential sanctions should the noncompliance not be corrected timely. TCNJ must follow up with the subrecipient on all noncompliance matters until they are satisfactorily remediated.

Remedies for noncompliance include imposing additional conditions on the subrecipient in accordance with Uniform Guidance §200.208, or if specific conditions are not an appropriate remedy for the noncompliance, taking one or more of the following actions:

- Temporarily withhold cash payments pending correction of the
- Disallow all or part of the cost of the activity or action that is noncompliant;
- Wholly or partly suspend or terminate the subaward;
- Initiate suspension or debarment proceedings be initiated against the subrecipient by the Federal awarding agency;
- Withhold further subawards;
- Take other remedies that may be legally available.

## Procedure

### I. PROCEDURE OVERVIEW

- The PI informs the OGSR of the intention to utilize a subrecipient on asponsored project.
- The OGSR performs the subrecipient versuscontractor determination.
- The OGSR, in consultation with the PI, performs and documents the subrecipient risk assessment and determines whether the subaward should be issued, and whether any additional terms and conditions or monitoring methods are appropriate.
- The OGSR drafts the subaward agreement using the standard template andensures all required elements and specific terms and conditions are included.
- The subrecipient and OGSR execute the subaward agreement.
- The subrecipient performs work on the grant and submits financial and programmatic reports to the PI as required. The PI reviews and approvesfinancial and programmatic reports and follows up on any issues.
- The PI submits invoices to the Office of Finance and Business Services for payment once approved using the Check Request Form.
- The PI and the Finance and Business Services – Post-Award Grants should request the subrecipient to provide clarification of invoiced charges that appear unusual, excessive,or otherwise questionable and retain documentation of the communications with the subrecipient, documents received, and resolution of the issue on quarterly basis.
- The PI, OGSR, or Finance and Business Services – Post-Award Grants perform othermonitoring responsibilities as assigned.
- The PI, OGSR, or Finance and Business Services – Post-Award Grants notify each other of any noncompliance identified and follow up is performed and documented until the noncompliance is remediated.
- On-site visits or audits of the subrecipient may be performed at the discretion of the PI, OGSR, or Finance and Business Services – Post-Award Grants to evaluate compliancewith the project’s scientific objectives, and the appropriateness of the appropriateness of the

subrecipient's administrative systems, processes and charges.

## II. ROLES AND RESPONSIBILITIES

### **Principal Investigator** – Responsible for:

- Including the subaward in the proposal and negotiating the scope and objectives of the subaward agreement with the subrecipient.
- Monitoring subrecipients' progress through financial and progress reports and regular communication.
- Reviewing and approving subrecipient invoices, completing the Subrecipient Invoice Checklist, and attaching the completed Checklist to the check request for payment to the subrecipient.
- Raising any questionable items from subrecipient monitoring to the Office of the Treasurer or OGSR to determine appropriate action.
- Following up on deficiencies identified from subrecipient monitoring.

### **Project Administrative Support Staff** – Responsible for:

- Assisting PIs in reviewing their monitoring responsibilities.
- Assisting PIs in reviewing subrecipient invoices, and identifying and following up on questionable expenditures, if necessary.
- Assisting PIs in maintaining documentation of monitoring efforts.

### **Deans/Department Chairs** – Responsible for:

- Notifying the PI and/or the OAGSR of any information, questions, or concerns regarding a proposed subrecipient.

### **Office of Grants and Sponsored Research** – Responsible for:

- Assisting PIs in informing the subrecipient of all applicable federal laws and regulations and all appropriate flow-down provisions from the prime award by drafting the subaward agreement.
- Conducting an assessment to assess level of risk of proposed subrecipients prior to contracting (sub-awarding) to ensure their fitness (including, but not limited to, financial soundness)

and determine monitoring and incorporated terms, as required

- Ensuring completion of the Subrecipient Profile.
- Providing further training and guidance in interpreting regulations and subrecipient award terms and conditions.

**Finance and Business Services – Post-Award Grants, Office of the Treasurer –**  
Responsible for:

- Ensuring completion of the Subrecipient Questionnaire and Subrecipient Invoice Checklist.
- Performing post-award subrecipient monitoring, such as obtaining and reviewing subrecipient single audit reports annually in accordance with Subpart F—Audit Requirements, performing timely FFATA reporting, reviewing subrecipient financial reports/invoices if needed, and aiding the PI in other monitoring efforts.
- Issuing management decisions for audit findings.
- Ensuring that subrecipient monitoring policies and procedures comply with federal and other applicable regulations and are applied consistently.
- Providing further training and guidance in interpreting regulations and subrecipient award terms and conditions.

## Appendix

### Examples of Subrecipient Monitoring Scenarios

For example, TCNJ has an agreement to provide funds from a sponsored project to another college or university to assist in the research supported by the sponsored project. The agreement specifies the research objectives and deliverables that are expected by TCNJ, which align with and support TCNJ's objectives for the sponsored project. The college or university receiving the sponsor funds through TCNJ must also comply with the sponsor requirements. Additionally, the performance of this research is not within the normal business operations of the recipient college or university and the recipient college or university does not provide the same service to many different entities. The college or university's research is integral to the operation and success of the sponsored project for TCNJ. Taken together, these facts indicate that the college or university is a subrecipient.

As another example, a Principal Investigator (PI) has an agreement to provide funds from a sponsored project to a non-federal entity to develop a training video that supports one of TCNJ's objectives of the sponsored project. This service is within the scope of the entity's normal operations and the entity provides similar services to many different clients in a competitive environment. The entity's performance will be measured based on the specific deliverables and timelines in the agreement.

While the training video is key to the sponsored project, the entity does not have decision-making responsibility in the content and use of the video to support the project. The entity's development of the training video is for the benefit of TCNJ so that TCNJ can meet the objectives of the program. The entity itself is not carrying out a portion of the project; rather, it is providing a necessary service to the College to carry out the project. In this example, the non-federal entity is a contractor (vendor).

The above examples are for illustrative purposes only. The facts and substance of each agreement must be evaluated on a case-by-case basis to ensure the proper determination is made.