

Policy on Subrecipient Selection and Monitoring

The Office of Management and Budget (OMB) Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, Final Rule, 2 CFR 200, Dec. 26, 2014, ("Uniform Guidance") sets forth standards for obtaining consistency and uniformity in organizations expending Federal awards.

As such, all pass-through entities must ensure that every subaward is clearly identified to the subrecipient as a subaward and include a list of required information (in the subaward agreement). Illinois Wesleyan University uses the [Federal Demonstration Partnership \(FDP\) Template](#) for all Federal subawards which includes sections for all required information.

PURPOSE:

The purpose of this policy is to define subawards, outline the responsibilities of the pass-through entity, provide guidance for subrecipient selection and monitoring as well as the roles of the staff involved in fulfilling federal requirements through institutional procedures.

POLICY STATEMENT:

As a recipient of an award, Illinois Wesleyan University ("University") must comply with the Uniform Guidance requirements that mandate the University to evaluate and minimize risk with respect to subrecipient selection and to manage and monitor each subaward to reasonably ensure that costs are allowable, awards are used for authorized purposes, and performance goals are achieved. Subawards must also be administered in compliance with applicable laws, regulations, and the provisions of the grant or contract agreement.

The University may issue a subaward to a subrecipient for the purpose of performing a portion of the scope of work associated with an award for a sponsored project. In issuing a subaward, the University assumes responsibility for the oversight of the recipient's programmatic and financial activities throughout the life of the subaward, including but not limited to the determination of subrecipient status versus contractor status, assessment of the subrecipient's capacity to perform award responsibilities, and the subrecipient's compliance with award terms. The Principal Investigator shall be responsible for confirming that the subrecipient performs the awarded scope of work and all costs are reasonable and in accordance with the terms of the award.

DEFINITIONS:

Award: An award is a legally binding agreement between an external sponsor and Illinois Wesleyan University to support research, instruction, training, service, or other scholarly activities with set terms and conditions.

Contractor: A dealer, distributor, merchant or other seller providing goods or services that is required for the conduct of the sponsored program. These goods or services may be for an organization's own use or for the use of beneficiaries of the project.

Characteristics of a Contractor: Provides the goods and services within normal business operations; Provides similar goods or services to many different purchasers; Operates in a competitive environment; Provides goods or services that are ancillary to the operation of the program; and Is not subject to the compliance requirements of the program, though similar requirements may apply for other reasons.

Pass-through Entity: a non-Federal entity that provides a subaward to a subrecipient to carry out part of a Federal program.

Prime Award/ee: award of Federal financial assistance that a non-Federal entity receives or administers in the form of a grant agreement with the federal agency and subawardees.

Subaward: financial or other support from a prime awardee to a qualified organization for the performance of a substantive portion of the programmatic effort under the prime award. There are two types of subawards:

Cost Reimbursement - Appropriate for most sub-awards.

Fixed Price - May be appropriate when awardees are meeting specific requirements of the Federal award and the amount is based on performance and results. Prior written approval from the funding agency is required. These subawards cannot exceed the simplified acquisition threshold of \$150,000.

Subrecipient: an entity that expends awards from a pass through entity to carry out a sponsored program.

Characteristics of a Subrecipient: Receiving entity determines who is eligible to receive financial assistance; Has its performance measured against whether the objectives of the program are met; Has responsibility for programmatic decision making; Has responsibility for adherence to applicable programs compliance requirements; and Uses the funds to carry out a program of the organization as compared to providing goods or services for a program of the pass-through entity.

Subrecipient Monitoring: Activities undertaken to review the financial status and management controls of a subrecipient(s) to mitigate the risk of contracting with a subrecipient(s).

PROCEDURES: SUBRECIPIENT SELECTION

The University will:

- I. **Ensure that every subaward is clearly identified to the subrecipient as a subaward and includes the following information at the time of the subaward and if any of these data elements change, include the changes in subsequent subaward modification. When some of this information is not available, the pass-through entity must provide the best information available to describe the Federal award and subaward. Required information includes:**
 - A. Federal Award Identification.
 1. Subrecipient name (which must match registered name in DUNS);
 2. Subrecipient's DUNS number;
 3. Federal Award Identification Number (FAIN);
 4. Federal Award Date;
 5. Subaward Period of Performance Start and End Date;
 6. Amount of Federal Funds Obligated by this action;
 7. Total Amount of Federal Funds Obligated to the subrecipient;
 8. Total Amount of the Federal Award;
 9. Federal award project description, as required to be responsive to the Federal Funding Accountability and Transparency Act (FFATA);
 10. Name of Federal awarding agency, pass-through entity, and contact information for awarding official;

11. CFDA Number and Name; the pass-through entity must identify the dollar amount made available under each Federal award and the CFDA number at time of disbursement;
 12. Identification of whether the award is R&D; and
 13. Indirect cost rate for the Federal award
- B. All requirements imposed by the pass-through entity on the subrecipient so that the Federal award is used in accordance with Federal statutes, regulations and the terms and conditions of the Federal award.
 - C. Any additional requirements that the pass-through entity imposes on the subrecipient in order for the pass-through entity to meet its own responsibility to the Federal awarding agency including identification of any required financial and performance reports;
 - D. An approved federally recognized indirect cost rate negotiated between the subrecipient and the Federal government or, if no such rate exists, either a rate negotiated between the pass-through entity and the subrecipient (in compliance with this part), or a de minimis indirect cost rate as defined paragraph (II) of this part.
 - E. A requirement that the subrecipient permit the pass-through entity and auditors to have access to the subrecipient's records and financial statements as necessary for the pass-through entity to meet the requirements of this section; and
 - F. Appropriate terms and conditions concerning closeout of the subaward.
- II. For each subrecipient, a Risk Assessment score (ranging from low to high risk) is assigned. This score represents the level of risk that the subrecipient posts to the University with response to potential non-compliance. The Risk Assessment score will determine appropriate subrecipient monitoring described in paragraph (V) of this section. The formal risk assessment, which must be documented and stored with all relevant grant preparation and activities documentation, will include consideration of:**
- A. The subrecipient's prior experience with the same or similar subawards;
 - B. The results of previous audits including whether or not the subrecipient receives a Single Audit and the extent to which the same or similar subaward has been audited as a major program;
 - C. Whether the subrecipient has new personnel or new or substantially changed systems; and
 - D. The extent and results of Federal awarding agency monitoring (e.g., if the subrecipient also receives Federal awards directly from a Federal awarding agency).
 - E. Pre-award vetting will also include verification that the subrecipient
 1. is able to perform subaward-related technical and administrative tasks satisfactorily.
 2. has an adequate accounting system with a project cost accounting system.
 3. has the financial capability to implement and administer the subaward.
 4. has budgeted appropriate indirect costs using the correct rates and application base.
- III. Consider imposing specific subaward conditions upon a subrecipient, if appropriate.**
- IV. Determine monitoring tools as appropriate based on risk assessment.**
- A. Low Risk:
 1. Review audit reports and evaluate any findings.
 2. Review subrecipient invoices - ensure work is performed within the period of performance; the invoice is complete and accurate; the expenditures are allowable per the subaward budget; subaward terms and conditions as well as laws, regulations, and University policies; the PI/PD approves the invoice as acceptable to issue payment.
 - B. Medium Risk:
 1. Perform all review steps as listed in the "Low Risk" category.

2. Determine how material the audit findings are in the audit report and whether they pose an increased risk to the subrecipient's ability to be in compliance and carry out the scope of the work.
 3. Request expenditure detail as supporting documentation for invoices on a monthly or quarterly basis; evaluate documentation received for sufficiency.
 4. Request and review financial reports more frequently, if possible.
- C. High Risk:
1. Perform all review steps listed in "Low Risk" and "Medium Risk" categories.
 2. Request expenditure detail as supporting documentation for all invoices.
 3. Maintain regular contact with co-PI to ensure subrecipient is meeting programmatic expectations and document communication in subaward file.
 4. Exercise the option to audit or consider performing a site visit or desk review.
 5. Withhold payments to subrecipient if deemed necessary.
- V. **Ensure that each subrecipient is audited by 200.501 Subpart F - Audit Requirements.**
- VI. **Consider whether the results of the subrecipient's audits, on-site reviews, or other monitoring indicate conditions that necessitate adjustments to IWU's own records.**
- VII. **Consider taking enforcement action for noncompliance.**

PROCEDURES: SUBRECIPIENT MONITORING

The University will:

- I. **Maintain regular contact with the subrecipient regarding the technical and administrative aspects of the project.**
- II. **Monitor the programmatic and financial activities of the subrecipient as they relate to the Federal award 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:
 - A. Review of financial reports and other documentation (e.g., invoices) required by the pass-through entity for timeliness, allowability of project costs, accuracy, and completion.
 - B. Review of programmatic reports required by the pass-through entity for timeliness, progress and allowability of activities, accuracy, and completion.
 - C. Participation in audits, site visits, or other monitoring activities, as necessary, to review fiscal and programmatic records and observe programmatic activities of the subrecipient.
 - D. Timely issuance of a management decision for audit findings pertaining to the Federal award, as applicable.
 - E. Follow-up to ensure that the subrecipient takes timely and appropriate action on all deficiencies pertaining to the Federal award detected through audits, on-site reviews, and other means.
- III. **Certify/approve subrecipient invoices and submit for payment.**
- IV. **Issue a management decision for audit findings pertaining to the Federal award provided to the subrecipient from the pass-through entity, as applicable.**
- V. **Facilitate project closeout (i.e., final technical/programmatic reports and final invoice). All closeout documentation should be received from the subrecipient within 120 days prior to the grant closeout. The Principal Investigator should not approve final payments until all reports have been received.**
- VI. **Maintain documentation to support monitoring activities.**