

## Sponsored Projects - Subrecipient Monitoring Policies & Procedures

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#### I. General Section

##### SP-SUB-GS-01--Overview

- JHU remains ultimately responsible and accountable to the prime sponsor for funds management and compliance by subrecipients.
- Prime recipients are required to advise subrecipients of requirements imposed on them by Federal laws, regulations, and the provisions of the prime contracts or grant agreements as well as any supplemental requirements imposed.
- A Subrecipient Audit Confirmation Survey will be sent annually by the Controller's Office, to subrecipients with JHU pass-thru federal funding in excess of \$500,000 per fiscal year.
- All Subrecipient entities shall make financial records available for review or audit by Federal agencies or pass-thru entities as requested.
- The Principal Investigator (PI) is ultimately responsible for ensuring compliance by reviewing all invoices and the technical progress of work completed by the subrecipient, before payments are authorized.
- ORA's are responsible for establishing a risk classification for a new subrecipient.
- The subrecipient risk classification will specify the additional monitoring terms required. These should be negotiated into the subrecipient agreement. ORA will advise the subrecipient and PI of these requirements.
- The proper classification of an organization as a subrecipient or as a contractor during the proposal process is critical to ensure proper accounting for costs and compliance requirements.
- Subcontracts under prime government contracts require competitive bidding or sole-source justification for their selection.

##### SP-SUB-GS-02--References

JHU Research Administration Offices

<http://jhuresearch.jhu.edu/>

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Federal Demonstration Partnership Homepage

<http://www.thefdp.org/index.html>

FDP Subagreement Forms

[http://sites.nationalacademies.org/PGA/fdp/PGA\\_063626.htm](http://sites.nationalacademies.org/PGA/fdp/PGA_063626.htm)

Federal Audit Clearinghouse Homepage

<http://harvester.census.gov/sac/>

System for Award Management (SAM)\Excluded Parties List Service

<http://www.sam.gov/>

SP-SUB-GS-03--Forms

[Domestic Subrecipient Questionnaire](#)

[Foreign Subrecipient Questionnaire](#)

[Subrecipient Audit Confirmation Form](#)

[Certification for Payment and Performance](#)

[Subrecipient Annual Audit Request](#)

[Subaward Determination Form](#)

[Sub vs Contractor Quick Guide](#)

[Guidelines for Invoice Review & Submonitoring](#)

[Risk Assessment Spreadsheet](#)

SP-SUB-GS-04--Appendices

Subrecipient Financial Information Questionnaire

Foreign Subrecipient Financial Information Questionnaire

Initial Risk Assessment Spreadsheet

## II. Policy Section

### SP-SUB-PL-01--Subrecipient Monitoring

As a recipient of sponsored research funding, the University is required to ensure that funding is used for authorized purposes in compliance with applicable grant and contract terms, Federal and State regulations and University policies and procedures. The University, as a pass through entity, remains ultimately responsible and accountable to the prime sponsor for funds management and compliance by its subrecipients.

To satisfy the requirements of Uniform Guidance 2 CFR 200.331 Requirements for pass-through entities, it is the responsibility of prime recipients of sponsored funding to advise subrecipients of requirements imposed on them by laws, regulations, and the provisions of contracts or grant agreements as well as any additional requirements imposed. The terms of the subrecipient relationship shall be thoroughly documented in an agreement executed by the appropriate Offices of Research Administration (ORA) and by an authorized representative of the subrecipient organization. ORA will establish a risk classification for each new subrecipient or consult the Risk Assessment Spreadsheet for an existing subrecipient. Such subrecipient classification shall specify the additional monitoring to be performed by the department and should include the additional documentation requirements for high risk subs in the agreement.

Recipients who receive \$750,000 or more in federal funding, directly or indirectly, are required to have a single or program-specific audit. It is likely that subrecipients who receive less than \$750,000 from the University may be receiving federal funds from other sources or directly from the federal government and will have a single or comparable audit. The University will seek to obtain the single audit or comparable reports, and/or an annual audit certification form if applicable, from all subrecipients.

Subrecipient entities expending less than \$750,000 in Federal funding during their fiscal year and entities which are exempt from Federal audit requirements, including foreign entities (300,000 USAID), are required to make financial records available for review or audit by Federal agencies or pass-thru entities as requested, under the terms and conditions of their subrecipient agreement and agency guidelines.

The Principal Investigator (PI) is ultimately responsible for ensuring compliance by reviewing all invoices and the technical progress of work completed by the subrecipient, before payments are authorized. The PI is also responsible for monitoring requests for re-budgeting and reviewing the technical and financial reports of the subrecipient. The PI shall work with ORA to request additional Subaward Agreements or Amendments if increases or decreases in time and/or support are necessary for the collaboration.

JHU, as grantee, must maintain records of the receipt and disposition of all grant related program income generated by sponsor-funded activities and verify how cost sharing commitments are met. Accordingly, the subrecipient shall include the receipt of program income and cost sharing documentation, if applicable, on invoices and financial reports submitted to JHU.

### III. Procedure Section

#### SP-SUB-PR-01--Purpose

To establish effective stewardship of sponsored funding that is passed-through to other entities. Administrative staff and Faculty in all departments who are involved in sponsored research where subrecipients conduct a portion of research activity should follow these procedures.

#### SP-SUB-PR-02--Roles of Research Admin

##### **Award Process**

During the proposal process, the PI will provide and ORA will check for competitive bidding or sole source justification of the selected subcontractor under any government prime contracts.

##### **Determining Subrecipient or Contractor Status**

The University follows the requirements in OMB Uniform Guidance 2CFR 200.330 to determine subrecipient or contractor (vendor) status. The proper classification of an organization as a subrecipient or as a contractor during the proposal process is critical to ensure proper accounting for costs and compliance requirements. Misclassification may result in delays of subaward processing, and failure to include or exclude Facilities and Administrative (F&A) costs will lead to significant errors in budget calculations. During the proposal phase or as prospective subrecipients are identified, departments will complete the Subrecipient Determination Form. The form must be signed by the Principal Investigator and submitted to the Office of Research Administration (ORA) with the proposal. The PI is expected to provide detailed information about the proposed subrecipient or contractor and a Statement of Work to departmental administrators and to the applicable ORA so an accurate determination can be made. ORA will explicitly approve the classification and document and ensure that every subaward is clearly identified to the subrecipient as a subaward. Any questions or concerns about this process should be directed to the attention of ORA. ([See Subaward Determination Form](#))

An organization is considered to be a subrecipient when it:

- Is delegated programmatic responsibility
- Does not perform services or provide goods to the prime organization as a contractor

An organization is considered to be a Contractor when it:

- Serves as a dealer, distributor or merchant that provides goods or services for the organization's own use; and
- Work product is not expected to be publishable in an academic journal; and
- Provides similar goods or services to many different purchasers and operates in a competitive environment

([See Sub vs Contractor Quick Guide](#))

ORA will review the subrecipient budget for overall reasonableness, including Facilities and Administrative (F&A) rates, fringe benefits rates, travel, equipment, etc. If the subrecipient doesn't have an approved federally recognized F&A rate, either a rate negotiated between the JHU and the subrecipient (in compliance with Uniform Guidance), a de minimis rate of 10% or a rate required by the individual agencies can be used. If this is a new subrecipient, a subrecipient questionnaire, including a copy of the most recent single audit certification or recent audited financial statements from non-single audit covered entities, as applicable are required.

System for Award Management (SAM)\Excluded Parties List System, <http://www.sam.gov/>, will be consulted to determine the eligibility of potential subrecipients and the results will be documented. The EPLS includes information regarding entities debarred, suspended, proposed for debarment, excluded or disqualified under the non-procurement common rule, or otherwise declared ineligible from receiving Federal contracts, certain subcontracts, and certain Federal assistance and Benefits. ORA will include a debarment certification in the sub agreement.

ORA will include certifications for research involving the use of human subjects or vertebrate animals, conflict of interest and compliance with other flow-down requirements by the collaborating subrecipient organization in the sub-award agreement, as necessary.

### **Risk Assessment**

ORA shall establish a risk classification for each new subrecipient and communicate the rating to Financial Research Compliance (FRC). The subrecipient classification will specify the additional monitoring to be performed by the department that is required for a high risk subrecipient and will include the additional documentation requirements in the agreement.

The process for completing the risk assessment will include:

- Consulting the Subaward Risk Assessment Spreadsheet;
- Requiring completion of the "Subrecipient Financial Information Questionnaire" by the potential subawardee, if required;
- Assigning a risk classification for new subs and communicating to the PI, department and FRC.

Contingent upon the specific subrecipient organization risk classification (high or low) and the nature of the work proposed, JHU resources are focused on monitoring the subrecipients who demonstrate the greatest potential for non-compliance.

### **Risk Factors to Consider**

The following subrecipients are considered high risk

- Foreign subrecipients
- Domestic subrecipients without a formal compliance audit (A-133)
- Subrecipients with no prior JHU work history
- Subrecipients who received less than \$1M in federal funding in either of the last two years

### **Negotiating the Subaward Agreement**

ORA exercises final approval rights in the administration of the subaward and issues and executes all subawards and modifications. To ensure that subrecipients conduct their portions of research projects in compliance with laws, regulations and that project costs incurred are reasonable and allowable, the subaward agreement will outline the expectations and requirements of the pass-through entity and the subrecipient.

As an institution participating in the Federal Demonstration Partnership (FDP), JHU shall utilize the standard FDP form "Research Subaward Agreement" whenever possible. Addendum 4 should be used for any additional requirements. The ability to conduct an audit should be included as part of the standard agreement language.

Any changes or modifications to the subrecipient agreement shall be approved and executed through ORA. This includes all JHU PI/departmental and subrecipient requests for re-budgeting, foreign travel, equipment purchases, subrecipient PI changes and the hiring of consultants.

ORA will keep original contract documentation, stored in Oculus, in accordance with the University's Records Retention guidelines. Information about records retention is available online in [Chapter 2 of the Account Reconciliation Guide](#).

Depending upon the results of the risk assessment of the individual subrecipient organization, additional contracts terms should be negotiated in the subaward for high risk subs including additional documentation requirements of general ledger detail for all invoices. The ultimate decision on additional requirements will be made by the ORA with consultation from the department and Financial Research Compliance.

### **Prime Agreement Pass-Through Requirements**

Applicable general provisions of the prime agreement must be incorporated into the subaward agreement.

PRIME AWARD TYPE	PRINCIPLES & PROCEDURES THAT APPLY:
Federal Government Grant	Code of Federal Regulations Terms & Conditions of the Prime Agreement
Federal Government Contract	Federal Acquisition Regulations (Title 48 of CFR) Terms & Conditions of the Prime Agreement
Private Sponsor	Sponsor Requirements Terms & Conditions of the Prime Agreement Generally accepted accounting standards or Governments Accounting Standards

All applicable terms and conditions, special provisions and certifications detailed in the prime agreements are required to be passed-through to the subrecipient. These terms are included in the subaward agreement. For example: Cost Sharing, Program Income, Intellectual Property, Publications and the right to access to the subrecipient's records

and financial statements as necessary. Additionally, ORA should review and confirm compliance with Conflicts of Interest or Conflicts of Commitment regulations.

As required by OMB Uniform Guidance 2 CFR 200.331, the subrecipient shall be informed of the Catalog of Federal Domestic Assistance (CFDA) title and award name, number, award year, type and prime sponsor, as applicable.

SP-SUB-PR-03--Roles of the Principal Investigator and the Department

### **Identifying the Potential Subrecipient**

The Principal Investigator is responsible for the due diligence involved with selecting a potential subrecipient. In the case of sub-contracts on prime government contracts, the PI documents their selection from a competitive bidding process, or a single or sole source written justification. In all cases the PI must assure that in addition to ensuring that the proposed subrecipient is technically qualified. The scope of work and the overall budget amount are determined by the PI. Additionally, the PI is responsible for gathering all required documentation prior to submission to ORA.

### **Communication with the Subrecipient**

Information contained in the subrecipient agreement states the deliverables required, administrative requirements and applicable laws and regulations with which the subrecipient must comply. This agreement and the referenced prime award define the subrecipient relationship. The PI and any designees administering the subaward should be familiar with the terms and conditions of the agreement. Communication should continue throughout the collaboration through telephone calls, emails, letters and site visits, as necessary. Any potential conflicts or issues regarding non-compliance should be immediately brought to the attention of the PI and ORA.

### **Invoice and Payment Processing**

When approving invoice payments to subrecipients on cost reimbursable awards, the validity of expenses must be verified along with achievement of scientific and technical progress by the PI or department designee/responsible party. This verification should include sign off by the PI, the department designee/responsible party & a financial representative on the invoice/Certification for Payment and Performance form. For high risk subrecipients summary general ledger review is required for every invoice and a detail review once every six months. ([See Guidelines for Invoice Review & Submonitoring](#))

Subrecipient invoices should include information that conforms to the administrative requirements

- Name of the subrecipient
- JHU Purchase order number
- Date of the invoice
- Invoice number and project title
- Period of performance covered by the invoice\*
- Breakdown of costs in accordance with expenditure categories\*
- Budget, Current period costs and cumulative project costs\*
- Cost sharing
- Program income generated
- Contact person for invoice questions
- Certification as to the truth and accuracy of the invoice

\*This information is not required on fixed price or fixed fee agreements.

Failure by the Subrecipient to submit any deliverables by the due date or an invoice with inadequate information is

considered just cause for JHU to withhold any payments due. Incomplete invoices should be rejected by the PI and ORA and a new invoice should be obtained or additional information may be attached to the original invoice. No subaward invoices should be approved if the review notes discrepancies; these discrepancies and any other questions should be addressed directly to the PI and ORA for resolution.

### **Program Income and Cost Sharing**

JHU, as grantee, must maintain records of the receipt and disposition of all grant related income generated by sponsor funded activities and documentation regarding how cost sharing obligations are met, if applicable. The subrecipient shall maintain appropriate records to support JHU in fiscal compliance and responsibility under the prime agreement. The subrecipient shall include the receipt of program income and cost sharing on invoices submitted to JHU.

### **Subrecipient Award Closeout**

The subrecipient award closeout process shall begin promptly upon the conclusion of the period of performance. Final invoices must be submitted to JHU in accordance with the time period specified in the agreement. Failure by the subrecipient to submit any deliverables by its due date shall be considered just cause for JHU to withhold payments. Deliverables include audit and performance reports, technical reports, financial reports, final invoices and Contractor's Release forms if applicable. Final payments to subrecipients shall not be approved until all closeout documents and deliverables have been received by JHU.

### **SP-SUB-PR-04--Roles of the Controller's Office**

#### **Annual Subrecipient Monitoring**

Tracking the status of subrecipients for the completion of Single Audit reporting status shall be coordinated by Financial Research Compliance in the Controller's Office.

#### Risk Monitoring- Single Audit Entities

A Subrecipient Audit Confirmation Survey will be sent annually to University subrecipients with JHU pass-thru federal funding by the Controller's Office. Upon receipt of the completed Subrecipient Audit Confirmation Survey, the Financial Research Compliance office will coordinate on-going risk management initiatives.

Appropriate and timely corrective action must be taken after receipt of the subrecipient audit in instances of non-compliance with federal laws and regulations. Corrective actions cited by subrecipients must be evaluated for completeness and for compliance with applicable laws and regulations. A management decision on audit findings shall be issued within six months of the acceptance of a domestic subrecipient's audit report in the Federal Audit Clearinghouse (FAC) repository or six months of receipt of an International entity's report. In cases where subrecipients are unable or unwilling to comply with necessary compliance mandates, corrective actions will be taken as appropriate. The Controller's Office will determine if the subrecipient's audit findings necessitate adjustment of the University's financial records.

#### Risk Monitoring- Exempt from Single Audit

Subrecipients exempt from A-133 audit requirements are required to make their financial records available for review or audit by Federal agencies or pass-thru entities as requested, under the Terms and Conditions of their Agreement. The nature, timing and scope of monitoring foreign subrecipients and for-profit subrecipients will vary by the assessment of risks, funds provided, nature of work, duration of involvement and other factors. Individual subrecipient's monitoring will be discussed with the PI and ORA. Documentation concerning monitoring activities and results will be maintained by Financial Research Compliance.

## **Advance Payments**

The University's preferred method of payment to a subrecipient is on a cost reimbursable basis. In situations where subrecipient entities lack sufficient capital, and the request has been approved by the respective Divisional Business Office, advances can be made. Contact Financial Research Compliance for more information.

## **Definitions**

**Award-** Financial assistance received directly from a Federal or private sponsor that provides support or stimulation to accomplish a purpose. The term award includes grants, cooperative agreements and other agreements in the form of money or property, by the sponsor to JHU.

**Contract-** A legal agreement used to procure goods or services; referred to as a subcontract if the award is a pass-through from a prime contract.

**Pass-thru Entity-** A recipient of funding, but the assistance assigned to it may be "passed on" or "passed-through it" to another recipient.

**Prime Agreement-** A governing agreement between the recipient and the awarding agency.

**Purchase Order-** Used in cases where purchased services involve an organizational entity but do not involve substantive scientific research. For example, repetitive tests or activities requiring no discretionary judgment on the part of the provider. Utilized in purchaser-vendor relationships involving the procurement of goods or services when detailed terms and conditions are not required.

**Sole Source-** A situation in the marketplace where there is clearly and legitimately a single source of supply that meets the necessary requirements. A sole source justification implies that any attempt to obtain bids would result in only one option.

**Subaward-** A legally binding executed agreement that transfers a portion of research or substantive intellectual effort of a prime award to another institution or organization. The term subgrant is used when the prime award is a grant and the term subcontract is used when the prime award is a contract.

**Subrecipient-** The recipient of a subagreement awarded to a foreign or domestic organization (either non-profit, educational institution, or private industry) for the performance of a portion of the work statement covered by a prime agreement that is funded either directly or indirectly with sponsored funds. It does not include agreements for consulting services or purchase orders for equipment, materials or other services. A subrecipient receives an award of assistance from a pass-through entity and conducts its own scope of work. Also referred to as subawardee, subgrantee or third-tier institution.

**Foreign Subrecipient-** A non-profit or for-profit entity (including NGOs), university or a government organization with its principle place of business located outside of the United States.

**Subrecipient Monitoring-** A compliance requirement which establishes that prime agreement awardees have the responsibility to monitor the activities of subrecipients in accordance with the governing agreement, to assure that awarded funds are used for authorized purposes in compliance with the provisions of the agreement, and to ensure that performance goals are achieved.