

Subrecipient Monitoring & Risk Assessment Guidelines

Overview and Key Concepts

The purpose of this document is to communicate Washington University's (University) revised guidelines for the programmatic and financial monitoring of its sponsored research subrecipients. A subrecipient is a third-party legal entity performing a portion of a University sponsored project or program (e.g. institutions of higher education, hospitals, other non-profit entities, for-profit corporations and international organizations/institutions). The terms of the relationship are documented in a subaward / subcontract. These guidelines are intended to assist responsible faculty and staff in ensuring that the subrecipient is conducting its portion of the sponsored activity in compliance with laws, regulations and award and subaward / subcontract terms and conditions and that the subrecipient's portion of the costs of the project are reasonable and allowable for the work activities completed.

This document also provides the University's procedures for prospective risk assessment of subrecipients. Additional monitoring and reporting requirements may be required of the Principal Investigator (PI) or the Department Administrator (DA) depending on which of the three risk levels of "Low," "Medium," and "High" have been assigned to the collaborating subrecipient. In all instances good documentation of such monitoring activities should be maintained by the department and the PI. PI(s) and DA(s) should contact the OSRS (wucontracts@wustl.edu) if they have any concerns about the technical progress or any financial inconsistencies on the part of the subrecipient.

Summary of Roles

<u>Principal Investigator (PI) or Designee</u>	<u>Department Administrator (DA)</u>	<u>OSRS</u>	<u>SPA</u>
- Monitors technical progress of subrecipient	-Reviews invoices for reasonableness	-Issues subaward & applicable terms and conditions based on risk level	-Performs risk assessment, subrecipient monitoring, and desk checks in accordance with risk level
- Reviews invoices for reasonableness	-Primary liaison between central offices and PI	-Primary contact for DA(s) & PI(s) for concerns with subrecipients and will coordinate with other central offices and parties as needed	-Resource for DA training on invoice review
- Monitors financial data and approves invoices	-Notifies OSRS of any concerns as needed		
-Notifies OSRS of any concerns as needed	-Make vender vs. subrecipient determination and contacts OSRS as needed		

Risk Assessment

In accordance with 2CFR Part 200.331(6)(b), Sponsored Projects Accounting (SPA), in conjunction with the Office of Sponsored Research Services (OSRS), will perform an evaluation of risk to determine a risk level. In [December](#) 2014 the UG Subrecipient Taskforce established the criteria by which to determine the level of risk as documented in the "Subrecipient Risk Assessment Decision Process."

Additional Factors/Considerations which may result in a change in Risk Level

- Length of working relationship and or previous experience with entity
- Scope of the project
- A negative response to the [SUBSYSTEM SUBRECIPIENT MONITORING QUESTIONS](#)
- Audit findings
- Other

Departments may view the risk level assigned to subrecipient entities via the following link:

<https://wustl.box.com/s/8ixq8qjv8hlluqipk18aqvucl7npyzcf>

Procedures

OSRS will incorporate into the subaward modified Attachment 2 Terms and Conditions based on the risk assessment level.

- LOW RISK Entities-no changes to current terms and conditions
- MEDIUM RISK Entities: Potential additional items:
 - Detailed budget including typical functional expense categories and indirect costs to be included in subagreement.
 - Additional statement in Attachment 2 requiring the submission of detailed supporting data for amounts invoiced.
 - Additional statement in Attachment 2 requesting acknowledgment of training material review
- HIGH RISK Entities: Potential Additional items:
 - Subrecipient monitoring discussion with PI, OSRS, DA and SPA (meeting or call)
 - Detailed budget including typical cost categories, including direct and indirect costs to be included in subagreement
 - Additional statement in Attachment 2 requiring additional invoicing backup detail to accompany invoices.
 - Additional statement in Attachment 2 requesting acknowledgment of training material review
 - Optional
 - Desk check audits to be scheduled by SPA as needed
 - Invoice audits to be scheduled by SPA

- More frequent or detailed reporting to the PI may be required.
- Other to be determined as deemed necessary

Monitoring Procedures

Technical Progress, Reports and Deliverables – The PI is responsible for monitoring the progress of the subrecipient work scope, using a variety of means to make this determination. This review should be performed on a continuous basis throughout the subagreement period of performance.

The PI might receive informal progress reports via phone conversations, e-mail communications, or face-to-face discussions with the collaborator and his/her staff at the subrecipient institution. Formal technical performance reports and/or deliverables may be required, and this data should be reviewed and evaluated by the PI. Unusual or unforeseen items/issues derived from this process should be investigated by the PI. The technical/progress reports should be retained on file within the PI's department for ready access by regulators.

Principal Investigator concerns regarding the technical progress of the project, personnel at the collaborating institution/entity and/or other matters related to the subagreement must be brought to the immediate attention of OSRS and/or SPA.

Deliverables for Milestone or Fixed Fee Agreements – The PI should monitor/determine that all goals/milestones/receivables of the project are progressing at the agreed upon rate of time and withhold payment accordingly.

Review of Invoices and Expenses-to-Budget - For cost-reimbursement subagreements, subrecipient's invoices should provide both current period and cumulative expenses-to-date. The DA, with input from the

- PI, as necessary, should compare subrecipient invoices to subaward budget to ensure that amounts invoiced appear reasonable based upon the technical progress of the project
- Are within the budget parameters
- Are consistent and timely

Invoices from the subrecipient that have been submitted to WU for reimbursement must contain a minimum level of information (based upon the terms in the agreement) including but not limited to:

- Name of subrecipient (e.g. letterhead of institution/entity)
- WU Subaward Number
- Date of invoice
- Period of performance covered by invoice
- Final invoice for the project should be marked "Final"
- Description of services reflected by billing (e.g., major expenditure categories)
- Current and cumulative period costs
- Signature of institutional official (e.g., individual from accounting, finance, sponsored projects accounting...)
- Certification statement as to the truth and accuracy of the data on the invoice
- Contact person with respect to the invoice (e.g., name, e-mail address and phone number)

Examples of subrecipient invoices with sufficient data are provided in **Appendix B**.

Clarification of Invoiced Charges – The DAs should request explanations for any "unusual", "miscellaneous," "other" or apparently excessive charges invoiced by the subrecipient. If the explanations provided by the subrecipient are not sufficient to render a prudent judgment on the allowability of the cost, the DA may request detailed justifications and/or supporting documentation from subrecipients. DAs may also periodically request, particularly from high-risk subrecipients (see risk-based criteria), detailed support for selected invoiced charges to verify their appropriateness and reasonableness. Examples of detailed justifications that may be requested from subrecipients are:

- Payroll records/data
- Copies of paid invoices showing the cost of items purchased and Vendor Justification Forms if required by Federal contract
- Descriptions of services rendered by consultants including hourly rates and time reports
- Detail of travel charges incurred stating the purpose, airfare, meals, lodging, ground transportation, unallowables, etc.

A list of invoice review items/questions is provided in **Appendix C**.

Costs determined to be unallowable or unreasonable should be disallowed and deducted/off-set from current or future invoices. Department Administrators may contact SPA for assistance in these matters. In circumstances where questionable costs remain unresolved, it may become necessary to conduct more definitive monitoring procedures. In these cases, Department Administrators should contact SPA to coordinate these subsequent actions.

- **On-site Visits:** On-site visits are a discretionary monitoring procedure. On-site visits conducted by the PI to evaluate both compliance with the scientific objectives of the project and the appropriateness of the subrecipient's administrative systems, processes, and charges should be documented via correspondence, meeting notes, trip reports, etc. and retained on file.
- **Audits:** Discretionary desk audits of subrecipients are an acceptable monitoring procedure under Federal regulations and/or applicable "right to audit" clauses in the University's subaward / subcontract agreements. Formal "on-site" audits are performed infrequently, however, and departments should contact SPA for assistance and coordination.

Invoices should not be approved for payment until all issues or concerns have been resolved.

Annual Subrecipient Audit Verification – On an annual basis, SPA will perform follow up risk assessment to identify any circumstances which would merit a change in the risk designation. This [process](#) includes verifying that the subrecipient organization has completed its 2 CFR Part 200 Subpart F - Audit Requirements (formerly OMB Circular A-133), as applicable. The audit will be reviewed on the Federal Audit Clearinghouse and if it is not available for review the subrecipient will be asked to complete an assessment document. The [assessment document](#) is available in **Appendix D**.

SPA will monitor and review the audit reports and the responses from the subrecipients. In the event that SPA has concerns about the audit report or the corrective action plan, the subrecipient will be contacted to resolve those

issues. If the subrecipient does not respond to SPA's concerns in a timely manner, future and/or final payments on any current agreement may be withheld. SPA will communicate and seek assistance from the DA/PI/OSRS to resolve the issue, as necessary. Additional Tools for Departments can be found in **Appendix E**.

Additional Considerations

Vendor vs Subrecipient Designation

In general, the determination of whether the proposed interaction with an entity should be as a vendor or subrecipient is apparent from the nature of the proposed endeavor and is determined primarily by the department. In the event that such a determination is unclear the checklist in **Appendix A** may be used in addition to consultation with the Office of Sponsored Research Services

De minimus Rate

The deminmus rate of 10% should be provided to all subrecipients that do not have a federally negotiated indirect cost (IDC) rate. NIH has received a deviation from this policy and will continue to cap IDC rates 8% for international subrecipients. Concerns or questions with regards to implementing this should be directed to SPA.

Responsible Office Contact

Joseph M. Gindhart
Associate Vice Chancellor for Finance &
Sponsored Projects
314-935-7089
jgindhart@wustl.edu.

Questions concerning subawards or subrecipients should be directed to:

Connie Motoki
Manager, Office of Sponsored Research Services
314-747-5272
cmotoki@wustl.edu

Questions concerning the Subrecipient Risk Assessment status, designation monitoring should be directed to:

Molly Gianino
Project Accountant, Sponsored Projects Accounting
314-935-5509
mgianino@wustl.edu

Checklist to Determine Subrecipient or Contractor / Vendor / Consultant Classification

WHEN TO USE THIS FORM:

The Uniform Guidance effective December 26, 2014 implements new definitions of Contractor and Subrecipient. Generally, the determination of the relationship with an external entity is verified through the institutional review of the proposal narrative, budget justification, and other related proposal documents, including a description of the work to be performed, as well as through discussions with key personnel prior to proposal submission. When the relationship remains unclear, this form may provide assistance in making an accurate determination, and provide documentation evidence of the decision making process for audit purposes.

DEFINITIONS FROM UNIFORM GUIDANCE (2 CFR, PART 200):

Subrecipient:

§200.93 Subrecipient means a non-Federal entity that receives a subaward from a pass-through entity to carry out part of a Federal program; but does not include an individual that is a beneficiary of such program. A subrecipient may also be a recipient of other Federal awards directly from a Federal awarding agency.

Contractor (aka Vendor):

§200.23 Contractor means an entity that receives a contract as defined in §200.22 Contract.

§200.22 Contract means a legal instrument by which a non-Federal entity purchases property or services needed to carry out the project or program under a Federal award.

INSTRUCTIONS:

Complete sections one and two of the checklist by marking all characteristics that apply to the outside entity. The section with the greatest number of marked characteristics indicates the likely type of relationship the entity will have with the University. On occasion there may be exceptions to the type of relationship indicated by the completed checklist. In these situations, the **substance of the relationship** should be given greater consideration than the form of agreement between the University and the outside entity. Section 3 should be used to provide documentation on the use of judgment in determining the proper relationship classification.

For additional discussion with the WUSTL Office of Sponsored Research Services please submit this completed checklist to wucontracts@wumail.wustl.edu, and you will be contacted.

WUSTL Principal Investigator: _____ WUSTL Proposal ID _____ WUSTL Fund account _____

NAME OF OUTSIDE ENTITY: _____

SECTION 1 - SUBRECIPIENT

Description: A subaward is for the purpose of carrying out a portion of a Federal award and creates a Federal assistance relationship with the subrecipient. Characteristics which support the classification of the non-Federal entity as a subrecipient include when the non-Federal entity:

- 1. Determines who is eligible to receive what Federal assistance;
- 2. Has its performance measured in relation to whether objectives of a Federal program were met;
- 3. Has responsibility for programmatic decision making;
- 4. In accordance with its agreement, uses the Federal funds to carry out a program for a public purpose specified in authorizing statute, as opposed to providing goods or services for the benefit of the pass-through entity.

Entities that include these characteristics are responsible for adherence to applicable Federal program requirements specified in the Federal award.

SECTION 2 - CONTRACTOR / VENDOR / CONSULTANT

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

- 1. Provides the goods and services within normal business operations;
- 2. Provides similar goods or services to many different purchasers;
- 3. Normally operates in a competitive environment;
- 4. Provides goods or services that are ancillary to the operation of the Federal program.

Entities that include these characteristics are not subject to compliance requirements of the Federal program as a result of the agreement, though similar requirements may apply for other reasons

FINAL DETERMINATION:

SUBRECIPIENT CONTRACTOR

OPTIONAL - SECTION 3 - USE OF JUDGMENT (use only when the determination cannot clearly be made using the above criteria)

Description: In determining whether an agreement between a pass-through entity and another non-Federal entity casts the latter as a subrecipient or a contractor, the substance of the relationship is more important than the form of the agreement. All of the characteristics listed above may not be present in all cases, and the pass-through entity must use judgment in classifying each agreement as a subaward or a procurement contract.

Explanation of Use of Judgment Determination:

Prepared By: _____ Date: _____



University of XYZZZZZZ

Bill To:

Washington University
 Attn: Account Payable
 Campus Box 1056
 700 Rosedale Ave.
 St. Louis, MO 63112-1408

Date:	6/14/2008
Invoice:	11
Agency Referenced:	123-XYZ
WU Principal Investigator:	Jane Andrews
Projected Budget:	\$300,000.00
University of XYZZZZ Fund #:	48XXX

For the invoice period 05/01/2008 to 05/31/2008

Major Cost Categories	Current Period Expenses	Cumulative Expense
Academic Salaries	1,355.17	56,260.15
Staff Salaries	3,464.99	76,683.05
Fringe Benefits	1,516.95	41,386.37
Salary/Fringe Subtotals	6,337.11	174,329.57
Consultant + Pro-srv+trav	0.00	28,776.48
Consumable Supplies	397.06	3,990.09
Other Expenses	0.00	21,724.60
Travel	0.00	1,879.00
Overhead (Rate 52.5%)	1,750.88	59,981.93
Totals	8,485.05	290,681.67
Amount Due University of XYZZZZ	8,485.05	

University XYZZZZ Tax ID 44-0651136

I hereby certify the following:

All expenditures reported (or payments requested) are for appropriate purposes and in accordance with the agreements set forth in the applications and award documents

Tom Gross, Manager Sponsored Projects Accounting

For inquires, please call Bill George 215/935-5720 or
 email bgeorge@xyzzzz.edu

To ensure proper credit for this invoice, please include a copy of our invoice along with your final payment or reference fund #48000 on your remittance.

Please make your payment payable to University of XYZZZZ and remit to:

University of XYZZZZ
Sponsored Projects Accounting
700 Rosebush Avenue
Campus Box 3410
Anytown, XX 02112-0814

Original Invoice



International Institution

Bill To:

Washington University
 Attn: Account Payable
 Campus Box 1056
 700 Rosedale Ave.
 St. Louis, MO 63112-1408

Date:	6/14/2008
Invoice:	11
Agency Reference:	XYZ-123
Principal Investigator:	Jane Andrews
Projected Budget:	\$300,000.00
WU PO #	29456X

For the invoice period 05/01/2008 to 05/31/2008

Major Cost Categories	Current Period Expenses (GBP)	Current Period Expenses (US\$)	Cumulative Expense (US\$)
Academic Salaries	696.42	1,355.17	56,260.15
Staff Salaries	1,780.66	3,464.99	76,683.05
Fringe Benefits	779.56	1,516.95	41,386.37
Salary/Fringe Subtotals	£3,256.64	\$ 6,337.11	\$ 174,329.57
Consultant + Pro-srv+trav	0.00	0.00	28,776.48
Consumable Supplies	204.05	397.06	3,990.09
Other Expenses	0.00	0.00	21,724.60
Travel	0.00	0.00	1,879.00
Overhead (Rate 52.5%)	899.78	1,750.88	59,981.93
Totals	£4,360.47	\$ 8,485.05	\$ 290,681.67
Amount Due		\$ 8,485.05	
Foreign Exchange Rate 1 US Dollar = .5139 British Pound (GBP)			
****exchange rate based on invoice date of 6/14/08****			

I hereby certify the following:

All expenditures reported (or payments requested) are for appropriate purposes and in accordance with the agreements set forth in the applications and award documents

Jonathon Smith, Manager of Sponsored Programs Office

For inquires, please call Bob Jones 44 (01) 141- 555 5555 or
 email bjones@internationalinstitution.edu

To ensure proper credit for this invoice, please include a copy of our invoice along with your final payment or reference agreement number XYZ-123 on your remittance.

Please make your payment payable to International Institution and remit to:

**International Institution
 Sponsored Programs Office
 123 University Drive
 Campus Box 1234
 Anytown, Country 12345**

Original Invoice

SPA's Top 10 List

Subrecipient Invoice Review

1. Are the expenditure amounts on the invoice reasonable in relation to the scientific progress of project performed by the subcontractor to date, based upon input from the WU PI?
2. Has the PI at the subrecipient institution provided the required technical reports / milestones in a timely manner, under the terms of the subagreement?
3. Does the invoice contain the required data elements?
 - Name of subrecipient (e.g. letterhead of institution/entity)
 - WU subaward Number
 - Date of invoice
 - Period of performance covered by invoice
 - Final invoice for the project must be marked "Final"
 - Description of services reflected by billing (e.g., major expenditure categories)
 - Current and cumulative period costs
 - Signature of institutional official (e.g., individual from accounting, finance, sponsored projects accounting...)
 - Certification statement as to the truth and accuracy of the data on the invoice
 - Contact person with respect to the invoice (e.g., name, e-mail address and phone number)
4. Does the invoice contain expenditure categories that were not included in the subrecipient's budget (e.g., equipment, foreign travel, animal purchases...)?
5. Does the invoice contain large amounts in "Miscellaneous" or "Other Expenses" categories?
6. Does the invoice contain any potential unallowable items (e.g., food, entertainment, alcohol, administrative salaries/supplies...)?
7. Does the current amount due on the invoice appear reasonable and consistent?
 - Is the current amount due significantly higher/lower than the previous invoice amount?
 - Is the current amount due exactly the same as the previous invoice amount?
 - Is the Final invoice amount substantially higher than previous monthly invoices?
8. Has the invoice been submitted in a timely manner?
 - Has the subrecipient combined multiple months into one invoice (e.g., January 200X through April 200X)?
 - Was there a significant delay in the submission of the invoice (July expenses are invoiced in November)?
 - Does the date of the invoice appear reasonable based upon the time period billed (e.g., invoice for month ended July 31, 200X with an invoice date of 8/3/200X)?
9. Does the invoice from an international institution/entity contain the following items:
 - Invoice printed in English
 - Amounts billed are in US dollars
 - Currency exchange (conversion) rate and/or methodology (and does this look reasonable and accurate)
10. Concerns by the PI or Department Administrator regarding the technical progress of the project, staff at the collaborating institution/entity or other matters related to the subagreement must be brought to the immediate attention of the Office of Sponsored Research Services who will coordinate with all applicable parties.

FY14 Annual Audit Certification

Appendix D

Please complete the survey below.

Thank you!

Institution Name

EIN

DUNs Number:

Audit Indicator

- Subrecipient is subject to annual A-133 audit.
- Subrecipient is not subject to the requirements of OMB A-133 and we have audited financial statements.
- Subrecipient is not subject to the requirements of OMB A-133 and we have no audited financial statements.

If subject to the requirements of A-133, please check the appropriate box:

- An audit was completed in accordance with OMB Circular A-133 for our most recent fiscal year. The audit presented no material weaknesses, no material instances of noncompliance, or findings related to subawards from Washington University in St. Louis.
- An audit was completed in accordance with OMB Circular A-133 for our most recent fiscal year ended. The audit disclosed material weaknesses, material instances of noncompliance, or findings related to subawards from Washington University in St. Louis.
- The A-133 audit for our most recent fiscal year has not yet been completed. We expect the audit to be, completed (include date below). We will send written notification within 30 days of completion. If related findings, material weaknesses, or material instances of non-compliance are noted related to the subaward from Washington University in St. Louis, we will send a copy of the audit report and corrective action plan.

Fiscal Year Ended:

Our completed A-133 audit will be available on:

A complete copy of our Audit Report can be found at:

If you do not have a link to your Audit Report please provide a scanned copy of the A-133 audit report and the auditor's management letter together with a corrective action plan.

I hereby certify that the foregoing information is true and complete to the best of my knowledge.

(Please type your name in the box)

Date

(Please enter today's date)

Please check the appropriate box.

- A U.S. federal government agency
- Expended less than \$500,000 in Federal funds.
- A for-profit organization
- A foreign (non-U.S.) entity
- Other

Please describe your choice of "other":

NOTE: Although your institution is not subject to A-133, you have agreed, per our contractual agreement, to provide us with financial information. Therefore, please complete the selection below. If you have audited financial statements please provide Washington University a copy.

Subrecipients not subject to OMB Circular A-133 with audited financial statements.

- A financial statement audit was completed for the fiscal year. The audit disclosed no material weaknesses, no material instances of non-compliance, and no findings related to any subaward made by Washington University in St. Louis.
- A financial statement audit was completed for the fiscal year. The audit disclosed material weaknesses, material instances of non-compliance, and/or findings related to subaward made by Washington University in St. Louis.

Please provide the fiscal year indicated above:

Subrecipients not subject to OMB A-133 with no audited financial statements.

- We are not subject to OMB Circular A-133 and we do not have audited financial statements, we are, however, in compliance with applicable Federal, state, and local laws and regulations, and/or clauses/special provisions of the subaward(s) received from Washington University in St. Louis.
- Although we are not subject to audit by an independent accounting firm, we are, however, aware of material weaknesses or instances of non-compliance which impact the subaward(s) received from Washington University in St. Louis. A statement quantifying the impact on the subaward(s) and a corrective action plan describing steps taken to resolve the non-compliance issues must be returned with this certification.

Other than financial statements, has your organization been audited by a government agency or independent public accountant within the last two years that resulted in findings related to the subaward from Washington University?

- Yes
 No

Please attach a copy of the audit.

Do you have knowledge of OMB Circular A-21 Cost Principles, OMB Circular A-110 Administrative Requirements and other relevant Federal guidelines that are applicable to the subaward?

- Yes
 No

Does your organization have procedures that provide assurance that consistent treatment is applied to the distribution of direct charges to all grants?

- Yes
 No

Does your organization have a financial management system in place that provides records that can identify the source and application of funds?

- Yes
 No

Do you ensure that costs deemed unallowable, per the federal cost principles, are excluded from the amount billed to Washington University?

- Yes
 No

Does your organization have controls in place to prevent expenditures of funds in excess of approved, budgeted amounts from being charged to federal subaward agreements provided by Washington University?

- Yes
 No

Is there an effective system in place to ensure that all costs charged to federal subaward agreements provided by Washington University, were incurred within the approved agreement dates?

- Yes
- No

Are all disbursements from your organization properly documented with evidence of receipt of goods or performance of services?

- Yes
- No

Does your organization have a system in place to document and certify time charged to federal subaward agreements provided by Washington University?

- Yes
- No

A complete copy of our Audit Report can be found at:

If you do not have a link to your Audit Report please provide a scanned copy of the A-133 audit report and the auditor's management letter together with a corrective action.

I hereby certify that the foregoing information is true and complete to the best of my knowledge.

(Please type your name in the box)

Today's Date

(Please enter today's date)

Tools for Subrecipient Monitoring and Determination

- [Samples Scopes of Work](#)
- [Gift, Grant or Contract?](#)
- [Subrecipient, Vendor or Consultant?](#)
- [Subrecipient, Monitoring Checklist](#)
- [Guide on Obtaining a DUNS Number](#)
- [Subrecipient Monitoring Questions](#)
- [Subrecipient Risk Assessment Table](#)
- [Subrecipient Risk Assessment Decision Process](#)
- [Subrecipient vs. Contractor Checklist](#)