

Office of Sponsored Programs
Procedure 10008 Subrecipient Monitoring and Management Guidelines

Revision Date: 01/05/2016

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1. Introduction

Responsible Officials: Associate Director of Assurance and Outreach and Senior Director of Post Award as applicable

Effective Date: January 1, 2012

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IMPORTANT: For federal awards/subawards issued to Virginia Tech with a start date prior to December 26, 2014, 2 CFR Part 215 (OMB Circular A-110) and 2 CFR, Part 220 (OMB Circular A-21) apply. For all new funds (new awards and new monies, such as continuation awards, supplements, etc. received for existing awards) with a start date on or after December 26, 2014, these new funds are subject to 2 CFR Part 200 (commonly referred to as Uniform Guidance—Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards) but hereinafter referred to as “2 CFR Part 200”).

Due to the change in federal regulations the language in this procedure specific to the new regulations, 2 CFR Part 200, is highlighted in red font below.

2. Scope

This procedure outlines the principles and guidelines for the establishment of a subrecipient award—often referred to as a subaward—between the university and a third party organization.

This procedure includes:

- Activities including risk assessment and cost/price analysis performed prior to issuing a subaward.
- Activities performed during the award set-up.
- Activities to monitor the subrecipient’s administration, invoicing and award progress on an active subaward.

- Compensating controls to be enacted for high risk subrecipients.
- Remedies for subrecipient non-compliance.

Each principal investigator is responsible for working with departmental and Office of Sponsored Programs (OSP) associates to determine the scope of monitoring a subrecipient at all stages of the subaward from proposal to award closeout.

The procedure applies to all university principal investigators, departments and offices that are involved in the administration, use or planned implementation of sponsored award agreements having subawards issued regardless of the primary source of funding.

3. Procedure Statement

The Office of Sponsored Programs functions as the steward of Virginia Tech's research portfolio and is responsible for ensuring that all research proposals and projects comply with university, federal, and sponsor regulations, policies, and procedures. This procedure has been established to meet the compliance standard set forth in [2 CFR Part 200](#). The university's adherence to these cost principles and practices set forth in the standard is necessary to prevent cost disallowances by the federal government. It is the primary responsibility of principal investigators, and secondary responsibility of department heads, and administrators to understand and comply with the guidelines set forth in this procedure as the university adheres to the applicable subrecipient monitoring portions of [2 CFR Part 200.330, 331 and 332](#).

OMB Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards [2 CFR Part 200](#), commonly referred to as Uniform Guidance, requires prime recipients of federal funds to monitor subawards and to assure subrecipients meet the audit requirements in [Subpart F](#) and use funds in accordance with applicable laws, regulations and terms of the award. This procedure applies to all subawards issued under sponsored programs made to Virginia Tech, without regard to the primary source of funding.

4. Reason for the Procedure

This procedure is to inform the community of the requirements associated with monitoring the programmatic and financial activities of the university's subrecipients and to assure the proper stewardship of sponsor funds. This procedure addresses Virginia Tech's responsibilities and assists Principal Investigators (PIs) and staff to assure that, in addition to achieving performance goals, subrecipients comply with federal laws and regulations and with the provisions of any agreements that govern the subaward.

5. Definitions

Award – a legal instrument of financial assistance between a sponsoring/awarding agency or organization (including pass through entities) and a non-federal entity that provides support or stimulation to accomplish a public purpose. Financial assistance is provided through granting of an award and is not considered a purchasing or procurement activity. A state or federal government is not buying something from the university when it gives the university an award; rather it is providing financial assistance necessary to help the university fulfill its own mission or to stimulate new activities at

the university. An award is always made to accomplish a public purpose, and can also be referred to as a grant agreement or cooperative agreement.

Contract—a legal instrument by which an entity (in this case a federal agency) purchases property or services needed to carry out the project or program.

Contractor – an entity that receives a contract as defined in Contract above.

Cooperative Agreement – in accordance with [2 CFR Part 200.24](#), “Cooperative agreement means a legal instrument of financial assistance between a federal awarding agency or pass-through entity and a non-federal entity that, is used to enter into a relationship the principal purpose of which is to transfer anything of value from the federal awarding agency or pass-through entity to the non-federal entity to carry out a public purpose authorized by a law of the United States; and not to acquire property or services for the federal government or pass-through entity's direct benefit or use. It is distinguished from a grant in that it provides for substantial involvement between the federal awarding agency or pass-through entity and the non-federal entity in carrying out the activity contemplated by the federal award.” It has the same principal purpose as a grant, but is chosen as the instrument of award when conduct of the work involves substantial participation by the federal sponsor.

Federal Award – in accordance with [2 CFR Part 200.39](#), “Federal award has the meaning, depending on the context: The federal financial assistance that a non-federal entity receives directly from a federal awarding agency or indirectly from a pass-through entity; or the cost-reimbursement contract under the Federal Acquisition Regulations that a non-federal entity receives directly from a federal awarding agency or indirectly from a pass-through entity. The instrument setting forth the terms and conditions is the grant agreement, cooperative agreement, other agreement for assistance covered in paragraph (b) of [2 CFR Part 200.40](#) Federal Financial Assistance, or the cost-reimbursement contract awarded under the Federal Acquisition Regulations. Federal award does not include other contracts that a federal agency uses to buy goods or services from a contractor or a contract to operate federal government owned, contractor operated facilities (GOCOs). (See also definitions of federal financial assistance, grant agreement, and cooperative agreement.)” It is financial assistance that provides support or stimulation to accomplish a public purpose. Financial assistance is provided through granting of an award and is not considered a purchasing or procurement activity. The government is not buying something from the university when it gives the university an award; rather it is providing financial assistance necessary to help the university fulfill its own mission or to stimulate new activities of national interest at the university that is currently not being undertaken. An award is always made to accomplish a public purpose. Also referred to as grant or cooperative agreement.

Federal Financial Assistance – in accordance with [2 CFR Part 200.40](#), “Federal financial assistance means assistance that non-federal entities receive or administer in the form of: grants; cooperative agreements; non-cash contributions or donations of property (including donated surplus property); direct appropriations; food commodities; and other financial assistance.” It is defined as financial support to accomplish a public purpose or further the mission of the agency providing the support. Financial assistance is provided through awards (grants or cooperative agreements). It is the purpose of the award rather than the service provided that distinguishes financial assistance from procurement.

Grant Agreement– in accordance with [2 CFR Part 200.51](#), “Grant agreement means a legal instrument of financial assistance between a federal awarding agency or pass-through entity and a non-federal entity that is used to enter into a relationship the principal purpose of which is to transfer anything of value from the federal awarding agency or pass-through entity to the non-federal entity to carry out a public purpose authorized by a law of the United States; and not to acquire property or services for the federal awarding agency or pass-through entity's direct benefit or use. It is distinguished from a cooperative agreement in that it does not provide for substantial involvement between the federal awarding agency or pass-through entity and the non-federal entity in carrying out the activity contemplated by the federal award.” It is used when the principal purpose of the award is to accomplish a specified public purpose of support or stimulation authorized by federal statute. Grant is also used by state agencies, local governments, foundations, associations, corporations, and other private entities.

Non-federal entity – in accordance with [2 CFR Part 200.69](#), “Non-federal entity means a state, local government, Indian tribe, institution of higher education (IHE), or nonprofit organization that carries out a federal award as a recipient or subrecipient.”

OSP Award File – The paper award file including any related sub-folder. The particular sub-folder used is dependent upon internal process manuals.

OSP Official Electronic File – The electronic file is a mechanism for storage of electronic documents regarding awards associated with Virginia Tech sponsored research. This repository may change its format as technology changes, but the duty of organization, maintenance, upkeep and implementation resides with OSP.

Pass-through entity – in accordance with [2 CFR Part 200.74](#), “Pass-through entity means a non-federal entity that provides a subaward to a subrecipient to carry out part of a federal program.”

Prime Recipient – Can also be called Prime Awardee or Prime Contractor. The recipient is the entity initially receiving the top-level award that launches the project or program. The term “prime” refers to the top rung on the recipient ladder. If Virginia Tech is a subawardee, the prime recipient MAY also be the university’s sponsor for a given award.

Procurement – refers to purchases of goods and services to accomplish a purpose, and the mechanism for procurement is usually a contract. It is the purpose of the award rather than the service provided that distinguishes financial assistance from procurement.

Recipient – an entity that receives a grant, contract, or cooperative agreement directly from a sponsor.

Sponsor - refers to any third party that issues a grant, contract, or cooperative agreement directly to Virginia Tech. The award document is the agreement processed by the Sponsor and accepted by Virginia Tech specifying the terms and conditions under which the program will be conducted.

Subaward – an award provided by a pass-through entity to a subawardee for the subawardee to carry out part of a federal or non-federal award received by the pass-through entity. In accordance with [2 CFR Part 200.92](#), “Subaward 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. It does not include payments to a contractor or payments to an individual that is a beneficiary of a federal program. A subaward may be provided through any form of legal agreement, including an agreement that the pass-through entity considers a contract.” It is a legal agreement between the prime recipient receiving an award (grant or cooperative agreement) and another organization (subrecipient) that will perform research or substantive effort. The agreement is written under the authority of, and consistent with, the terms and conditions of a prime award. A subaward is not an agreement for the procurement or purchase of routine goods or services. This term is often used interchangeably with the terms subagreement, subgrant or subcontract. A subaward may be provided through any form of legal agreement, including an agreement that the pass-through entity considers a contract

Subcontract– Technically differs from a subaward in that the original agreement between the federal government and the pass through entity (in this case Virginia Tech) was a legal instrument or contract by which the federal entity purchases services (research, instruction, etc.) and/or property needed to carry out the project or program. Key provisions of the Federal Acquisition Regulations (FAR, DFAR, etc.) must be flowed down within the subcontract if they are included in the original contract.

Subrecipient – refers to a recipient that receives a subaward or subcontract from a pass-through entity to carry out part of a program. The term refers to any rung besides the top rung on the recipient ladder. In accordance with [2 CFR Part 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.” It is the legal entity to which a subaward is made and which is accountable to the prime recipient for the use of funds provided. Other terms used for subrecipient include subawardee, subgrantee or subcontractor. [2 CFR Part 200.330](#) provides criteria for distinguishing between a subrecipient vs contractor (also known as a vendor) relationship.

Substantive Effort – refers to essential work which a subrecipient/subawardee directly engages in to carry out the specific aims of the project. The work possesses substance, having practical importance, value, and effect to the project. The prime recipient and subawardee mutually agree on how the subawardee’s effort will be carried out and how it will be measured in relation to the overall project’s objectives.

6. Compliance Guidelines

As a non-profit recipient of federal funds that expends \$750,000 or more per fiscal year, Virginia Tech must assure that its subrecipients comply with [2 CFR Part 200](#).

The university’s procedures to assure compliance include:

- Informing the subrecipient of applicable federal laws and regulations and appropriate flow-down provisions from the prime agreement.
- Reviewing the subrecipients’ audit results via the Federal Audit Clearinghouse (<http://harvester.census.gov/sac/>).

- Reviewing any corrective actions cited by subrecipients in response to their audit findings, where the audit findings are related to Virginia Tech’s awards to the subrecipients.
- Issuing a management decision on subrecipient’s audit findings within six months after receipt of the final audit results and assuring the subrecipient takes appropriate and timely corrective action.
- Performing a cost/price analysis to assure fair pricing prior to issuing a subaward.

Subrecipient monitoring guidelines and responsibilities are shared among the following:

- The subrecipient has primary responsibility to assure compliance with federal regulations and award performance and progress.
- Principal Investigators (PIs) have the primary responsibility to monitor subrecipients’ deliverable performance and timely progress, reviewing subrecipient invoices, and identifying and following up with the subrecipient on questionable expenditures and/or performance issues, if necessary, before authorizing subrecipient invoices for payment.
- Local (departmental or institute grant or finance) administrators (DAs) should assist PIs in reviewing their monitoring responsibilities, reviewing subrecipient invoices, identifying, and following up with the subrecipient on questionable expenditures, if necessary, and maintaining documentation of monitoring efforts.
- OSP administers and consistently applies the university’s subrecipient detailed monitoring procedures ([Subaward Process Manual](#)), which are designed to reasonably assure subrecipient compliance with federal and other applicable regulations. OSP also provides guidance in interpreting regulations and subrecipient award terms and conditions.
- The OSP Subrecipient Monitoring Committee meets as necessary to review subrecipient risk assessments with adverse indicators, assist in developing monitoring plans, and review results of subrecipient findings, corrective action plans, and other issues. Members of the committee are Senior Director of Post Award, Associate Director of Assurance and Outreach (chair), Subrecipient Monitoring Associate, and Subcontract Associate(s).
- Upon referral by the OSP Subrecipient Monitoring Committee, the Assistant Vice President for Sponsored Programs approves or rejects high-risk subrecipients at the subcontract award stage and as necessary during the life of the award.

7. OSP Duties for Subrecipient Risk Assessment

The OSP Subrecipient Monitoring Associate will perform the following subrecipient risk assessment procedures, with input from PIs or DAs, prior to subaward execution:

- Prior to issuing a subaward, a subrecipient risk assessment will be performed by OSP to determine any measures (e.g. additional monitoring procedures, special terms and conditions) necessary to appropriately address the concern. For subrecipients deemed to require closer scrutiny, OSP works with the subrecipient, PIs and DAs to establish additional channels of communication.
- Subrecipients not routinely subject to the OMB Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards [2 CFR Part 200 Subpart F](#) may

require additional monitoring by DAs or PIs to assure compliance. For subrecipients deemed to require closer scrutiny, PIs and DAs should work with the associated PostAA to establish additional channels of communication and monitoring methods. Subrecipient monitoring plans should be devised and documented, as appropriate. Virginia Tech's contracts with foreign or for-profit subrecipients may specifically describe applicable compliance requirements and responsibilities.

- The Subrecipient Monitoring Associate notifies the chair of the OSP Subrecipient Monitoring Committee whenever adverse conditions are discovered during risk assessment of subrecipients. The chair determines appropriate actions and/or control measures in consultation as appropriate with the committee. The Subrecipient Monitoring Associate documents decisions in the OSP award file (this could be either the paper award file or the OSP Official Electronic File or a subpart of either of these files).

8. OSP Duties for Cost/Price Analysis

The OSP Subcontract Associate will perform a cost/price analysis, with input from PIs or DAs, prior to subaward execution.

- Facilities and Administrative Cost Rates should be confirmed to an approved federal rate agreement; otherwise, the de minimis rate allowed by [2 CFR Part 200.414](#) should be used.
- Fringe Rates should be confirmed to an approved federal Fringe Rate Agreement or the proposed subrecipient should provide supporting calculations for how the rates were developed in the event a rate agreement is not be available (see [2 CFR Part 200.431](#)).
- Labor rates and all other costs should be reviewed for reasonableness given the region and industry, and supporting documentation requested, if necessary.
- The [Price/Cost Analysis Worksheet](#) should be completed and filed in the OSP award file.

9. Duties for Post Award Monitoring

The frequency and timing of monitoring procedures should be determined based on the frequency and timing of subrecipient invoices and deliverables, but no less frequently than annually. Virginia Tech uses a risk-based approach to determine the scope of subrecipient monitoring, focusing more frequent and/or in depth monitoring efforts on those subrecipients who are deemed to pose a greater risk for potential non-compliance.

PIs, DAs and the assigned OSP Post Award Associate (PostAA) should use the following subrecipient monitoring procedures:

- The PI should review technical performance reports or other specified deliverables on a timely basis. Any unforeseen issues should be documented, investigated and resolved. A summary of such issues identified should be electronically forwarded to the appropriate PostAA for filing.
- The PI and PostAA (and/or DA) should perform an expense to budget comparison for cost-reimbursement subagreements. To facilitate this review, the subrecipient's invoices should include a summary of current period and cumulative expenses-to budget. Notable

issues identified should be documented in the OSP award file. Such documentation may include, for example: PI or appropriate faculty designee initials or authorizing signature on subrecipient invoices, email communications, notes of meetings or discussions, etc.

- PostAAs should request the subrecipient to provide clarification of invoiced charges that appear unusual, excessive, or otherwise questionable. If the subaward terms permit, DAs or PIs may request detailed justification to verify the allowability of the cost. Examples of detailed justifications include:
 - Payroll records
 - Copies of paid invoices showing item cost and Vendor Justification forms if required
 - Descriptions of services rendered by consultants including hourly rates and time reports
 - Details of incurred travel charges stating the purpose of the travel
 - Records identifying any unallowable costs.

Copies of this documentation should be electronically forwarded to the PostAA for the sponsored award with identifying Banner fund information.

- The PI and PostAA (and/or DA) should review subrecipient invoices regularly. The PostAA should document the review in the OSP award file. Such documentation may include, for example: PI initials or authorizing signature on subrecipient invoices, email communications, notes of meetings or discussions, etc. The PI should review the invoice before payment authorization to assure:
 - Expenses are reasonable and necessary to advance the work under this subaward agreement.
 - Cumulative expenses are in alignment with the amount of work completed.
 - Technical requirements (reports and/or deliverables) of the statement of work assigned to subrecipient are in compliance with the subrecipient agreement.
- The PostAA responsible for subrecipient monitoring and management notifies the chair of the OSP Subrecipient Monitoring Committee whenever adverse audit findings are discovered during subaward administration. The chair determines appropriate actions and/or control measures in consultation as appropriate with the committee. The Subcontract Associate documents decisions in the OSP award file. In circumstances of persistent noncompliance or abnormally high risk the Assistant Vice President for Sponsored Programs should be advised and consulted.
- In the event of unresolved technical noncompliance, the PI should notify the designated OSP Post Award Associate for further action up to and including nonpayment of subrecipient invoices and/or a cure letter. Should noncompliance persist, the associate should consult with the chair of the OSP Subrecipient Monitoring Committee.
- Should the terms and/or conditions in the subaward be violated, and/or not met, standard cure and termination provisions in the subaward will be utilized, as necessary, in consultation with the OSP Subrecipient Monitoring Committee.
- The PI and/or an OSP Associate may, at their discretion, conduct on-site visits as allowed under the award agreement to evaluate compliance with the project's scientific objectives, and

the appropriateness of the subrecipient’s administrative systems, processes and charges. Funding for these visits may not come from the award funding.

- Audits of subrecipients may be performed by the OSP Compliance Team on a discretionary basis in order to resolve questionable costs or other noncompliance issues.

10. References

- [2 CFR Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards \(Uniform Guidance\)](#)
- [Federal Audit Clearinghouse](#)
- [OSP Procedure 10011, Sponsored Award File Establishment and Maintenance](#)
- [Subaward Process Manual](#)
- [Price/Cost Analysis Worksheet](#)

11. Contacts

- **Associate Director of Assurance and Outreach**
Office of Sponsored Programs
North End Center, Suite 4200
300 Turner Street NW
Blacksburg, VA 24061
540.231.0950
- **OSP Sub Contracts Associate**
540.231.6624
- **Senior Director of Post Award**
540.231.9372
- **Assistant Vice President for Sponsored Programs**
540.231.5281

12. Roles and Responsibilities

- **Principal Investigators (PIs):** have the primary responsibility of monitoring subrecipients’ timely progress on reports and other deliverables, and assuring compliance with federal regulations and both prime and subrecipient award terms and conditions.
- **Department Administrator/Business Support Center:** serve in a support role to the PI’s in discharging their subaward oversight responsibilities and serve as a liaison to OSP.

- **Office of Sponsored Programs:** conducts the original risk assessment and cost/price analysis prior to issuing a subaward, establishing additional oversight mechanisms or conditions as appropriate. Assures a PI review is conducted and documented prior to payment of subrecipient invoices and that all documentation is complete at close out.
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13. Dissemination

This procedure may be posted on a Virginia Tech internet accessible site. Open public dissemination of this procedure is allowable.

14. Approval and Revisions

This procedure was approved originally on August 31, 2011 by the Vice President for Research. It became effective January 1, 2012. At that point all newly created as well as existing membership fee programs were to be in compliance.

Revision approved by Assistant Vice President for Sponsored Programs on January 5, 2016. This major revision updates the formatting of the procedure, brings the procedure into compliance with [2 CFR Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards \(Uniform Guidance\)](#) and other minor edits for title changes and clarity.

The official version of this information will only be maintained in an on-line web format.

Any and all printed copies of this material are dated as of the print date.

Please make certain to review the material on-line prior to placing reliance on a dated printed version.
