

GEORGETOWN UNIVERSITY



FINANCIAL AFFAIRS MANUAL

Issuing Department Cost and Sponsored Accounting		Topic Subrecipient Monitoring	Policy # FA 143-05	
New	Revised January 1, 2007		Supersedes Policy #	Effective Date January 1, 2006

100.1 POLICY: Subrecipient Monitoring.

100.2 STATEMENT: A large amount of federal funds received by Georgetown University are expended by subrecipients rather than by University departments. Management must continue to monitor the entities to which they grant their federal funds. Even though a department does not expend the funds for department use, the department is responsible for sufficient oversight of the funds to ensure (a) funds are spent in accordance with the federal grant requirements, and (b) objectives of the grant are met (see Office of Management and Budget (OMB) Circular [A-133](#)).

Failure to comply with this policy can result in disciplinary action up to and including dismissal under Human Resources Policy #302.

http://www3.georgetown.edu/hr/employment_services/policies.html.

100.3 APPLICABILITY: The policy applies to all sponsored project cost centers (RX) with subrecipient activity and University personnel involved with those cost centers.

100.4 PURPOSE: Federal regulations (see OMB Circular A-133 for citations) require pass-through entities to monitor subrecipients. The purpose of this policy is to provide guidance to University staff in monitoring subrecipients to ensure their compliance with federal laws and regulations.

100.5 ADMINISTRATION AND IMPLEMENTATION:

A. The Office of Sponsored Programs (Preaward):

1. Determines if expenditures under a federal award are to the subrecipient or to the vendor. Review contract documents to determine the relationship in accordance with OMB A-133 (see below):

OMB A-133 § __.210 Subrecipient and vendor determinations.

(a) **General.** An auditee may be a recipient, a subrecipient, or a vendor. Federal awards expended as a recipient or a subrecipient would be subject to audit under this part. The payments received for goods or services provided as a vendor would not be considered Federal awards. The guidance in paragraphs (b) and (c) of this section should be considered in determining whether payments constitute a Federal award or a payment for goods and services.

(b) **Federal award.** Characteristics indicative of a Federal award received by a subrecipient are when the organization:

- (1) Determines who is eligible to receive what Federal financial assistance;
- (2) Has its performance measured against whether the objectives of the Federal program are met;
- (3) Has responsibility for programmatic decision making;
- (4) Has responsibility for adherence to applicable Federal program compliance requirements; and
- (5) Uses the Federal funds to carry out a program of the organization as compared to providing goods or services for a program of the pass-through entity.

(c) **Payment for goods and services.** Characteristics indicative of a payment for goods and services received by a vendor are when the organization:

- (1) Provides the goods and services within normal business operations;
- (2) Provides similar goods or services to many different purchasers;
- (3) Operates in a competitive environment;
- (4) Provides goods or services that are ancillary to the operation of the Federal program; and
- (5) Is not subject to compliance requirements of the Federal program.

2. Reviews applications and proposals to ensure subrecipients are appropriate for the project.
3. Verifies and obtains certifications that the subrecipient has not been suspended, debarred or otherwise deemed ineligible to participate in federal assistance programs.
4. Acquires internal control questionnaire, A-133 Certification, and the most recent A-133 or audited financial statement prior to the agreement, if not on file with SAO.
5. Negotiates subrecipient agreement terms and conditions.
6. Provides assurance to sponsor that each subrecipient complies with the federal requirements.

7. Ensures that the subrecipient agreement identifies the federal program along with CFDA (Catalog of Federal Domestic Assistance) program number, and that the University (or its auditor) has access to the subrecipient's grant records.

B. The principal investigator:

Note - Administrative personnel with programmatic knowledge can fulfill the responsibilities of the principal investigator.

1. Complies with laws, regulations, and the provisions of contracts or grant agreements related to each federal program.
2. Oversees the satisfactory performance of the agreement to ensure that goals are achieved. This includes, but is not limited to, periodic reviews of progress reports and reviewing results delivered against statement of work in subagreement.
3. Monitors the technical and programmatic activities of the subrecipient as necessary to ensure that the federal funds are used for authorized purposes.
4. Reviews and approves invoices received from the subrecipient to ensure costs are allocable, allowable and reasonable (e.g. Circulars [A-21](#) for educational institutions and [A-122](#) for most other nonprofits).
5. Questions costs which differ materially from the approved budget, or which appear unusual or unallowable. Further, invoices should not be approved for payment until a satisfactory explanation is received or an appropriate audit of unresolved issues can be performed.

C. Cost and Sponsored Accounting (SAO):

1. Provides reasonable assurance that federal award information and compliance requirements are identified to subrecipients. To provide assurance, subrecipient activities are monitored, subrecipient audit findings are resolved, and the impacts of any subrecipient noncompliance are evaluated. A periodic risk assessment of subrecipients is performed. Subrecipients are classified as "low-risk", "medium-risk" or "high-risk" based upon criteria including the (a) size of the subawards administered by subrecipients, and (b) the percentage of the pass-through entity's total federal funds awarded to the subrecipient(s).
2. Obtains certification (for first fiscal year end after agreement has been ratified) of completed audit reports and/or single audit reports (OMB Circular A-133) for subrecipients expending \$500,000 or more in federal awards during the fiscal year.
3. Identify, in its accounts, all federal awards received and expended and the federal programs under which they were received. Federal program and award identification shall include, as applicable, the CFDA title and number, award number and year, name of the federal agency, and name of the pass-through entity.
4. Provides principal investigator with a copy of the University's subrecipient monitoring policy.

5. Determines and coordinates a site visit, if necessary. The site visit might include a review for compliance with financial and program records required by OMB Circular A-110 or could solely be an observance of daily operations.

100.6 DEFINITIONS: (references are from OMB Circular A-133).

1. Auditor is a public accountant or a Federal, State or local government audit organization, which meets the general standards specified in generally accepted government auditing standards (GAGAS). The term auditor does not include internal auditors of non-profit organizations.

2. Audit finding means deficiencies which the auditor is required by § ____.510(a) to report in the schedule of findings and questioned costs.

3. CFDA number means the number assigned to a Federal program in the Catalog of Federal Domestic Assistance (CFDA).

4. Cognizant agency for audit means the Federal agency designated to carry out the responsibilities described in § ____.400(a).

5. Corrective action means action taken by the auditee that:

- (1) Corrects identified deficiencies;
- (2) Produces recommended improvements; or
- (3) Demonstrates that audit findings are either invalid or do not warrant auditee action.

6. Federal agency has the same meaning as the term agency in Section 551(1) of title 5, United States Code.

7. Federal award means Federal financial assistance and Federal cost-reimbursement contracts that non-Federal entities receive directly from Federal awarding agencies or indirectly from pass-through entities. It does not include procurement contracts, under grants or contracts, used to buy goods or services from vendors. Any audits of such vendors shall be covered by the terms and conditions of the contract. Contracts to operate Federal Government owned, contractor operated facilities (GOCOs) are excluded from the requirements of this part.

8. Federal awarding agency means the Federal agency that provides an award directly to the recipient.

9. Federal program means:

- (1) All Federal awards to a non-Federal entity assigned a single number in the CFDA.
- (2) When no CFDA number is assigned, all Federal awards from the same agency made for the same purpose should be combined and considered one program.

(3) Notwithstanding paragraphs (1) and (2) of this definition, a cluster of programs. The types of clusters of programs are:

- (i) Research and development (R&D);
- (ii) Student financial aid (SFA); and
- (iii) "Other clusters," as described in the definition of cluster of programs in this section.

10. Internal control means a process, effected by an entity's management and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

- (1) Effectiveness and efficiency of operations,
- (2) Reliability of financial reporting, and
- (3) Compliance with applicable laws and regulations.

11. Management decision means the evaluation by the Federal awarding agency or pass-through entity of the audit findings and corrective action plan and the issuance of a written decision as to what corrective action is necessary.

12. Non-Federal entity means a State, local government, or non-profit organization.

13. Non-profit organization means:

- (1) any corporation, trust, association, cooperative, or other organization that:
 - (i) Is operated primarily for scientific, educational, service, charitable, or similar purposes in the public interest;
 - (ii) Is not organized primarily for profit; and
 - (iii) Uses its net proceeds to maintain, improve, or expand its operations;and
- (2) The term non-profit organization includes non-profit institutions of higher education and hospitals.

14. OMB means the Executive Office of the President, Office of Management and Budget.

15. Pass-through entity means a non-Federal entity that provides a Federal award to a subrecipient to carry out a Federal program.

16. Questioned cost means a cost that is questioned by the auditor because

- (1) It resulted from a violation or possible violation of a provision of a law, regulation, contract, grant, cooperative agreement, or other agreement or document governing the use of Federal funds, including funds used to match Federal funds,
- (2) Where the costs, at the time of the audit, are not supported by adequate documentation; or

(3) Where the costs incurred appear unreasonable and do not reflect the actions a prudent person would take in the circumstances.

17. Recipient means a non-Federal entity that expends Federal awards received directly from a Federal awarding agency to carry out a Federal program.

18. Research and development (R&D) means all research activities, both basic and applied, and all development activities that are performed by a non-Federal entity. Research is defined as a systematic study directed toward fuller scientific knowledge or understanding of the subject studied. The term research also includes activities involving the training of individuals in research techniques where such activities utilize the same facilities as other research and development activities and where such activities are not included in the instruction function. Development is the systematic use of knowledge and understanding gained from research directed toward the production of useful materials, devices, systems, or methods, including design and development of prototypes and processes.

19. Single audit means an audit which includes both the entity's financial statements and the Federal awards as described in §___.500.

20. Subrecipient means a non-Federal entity that expends Federal awards received from a pass-through entity to carry out a Federal program, but does not include an individual that is a beneficiary of such a program. A subrecipient may also be a recipient of other Federal awards directly from a Federal awarding agency. Guidance on distinguishing between a subrecipient and a vendor is provided in §___.210.

21. Vendor means a dealer, distributor, merchant, or other seller providing goods or services that are required for the conduct of a Federal program. These goods or services may be for an organization's own use or for the use of beneficiaries of the Federal program. Additional guidance on distinguishing between a subrecipient and a vendor is provided in §___.210.

100.7 RESPONSIBILITIES: (references are from OMB Circular A-133).

Pass-through entity responsibilities. A pass-through entity shall perform the following for the Federal awards it makes:

- (1) Identify Federal awards made by informing each subrecipient of CFDA title and number, award name and number, award year, if the award is R&D, and name of Federal agency. When some of this information is not available, the pass-through entity shall provide the best information available to describe the Federal award (Preaward – Contract).
- (2) Advise subrecipients of requirements imposed on them by Federal laws, regulations, and the provisions of contracts or grant agreements as well as any supplemental requirements imposed by the pass-through entity (Preaward – Contract).

- (3) Monitor the activities of subrecipients as necessary to ensure that Federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved (PI).
- (4) Ensure that subrecipients expending \$500,000 for fiscal years ending after December 31, 2003 or more in Federal awards during the subrecipient's fiscal year have met the audit requirements of this part for that fiscal year (SAO).
- (5) Issue a management decision on audit findings within six months after receipt of the subrecipient's audit report and ensure that the subrecipient takes appropriate and timely corrective action (SAO).
- (6) Consider whether subrecipient audits necessitate adjustment of the pass-through entity's own records (SAO).
- (7) Require each subrecipient to permit the pass-through entity and auditors to have access to the records and financial statements as necessary for the pass-through entity to comply with this part (Preaward – Contract).

100.8 ENFORCEMENT:

Cost and Sponsored Accounting - <http://www.georgetown.edu/finaff/sao/sao.htm>

Internal Audit Department - <http://www.georgetown.edu/admin/ia/index.htm>

100.9 RESOURCES:

OMB Circular A-110 Section 23

Office of Sponsored Programs – Main Campus:
http://cfdev.georgetown.edu/grad/osp/osp_www/index.cfm

Office of Sponsored Research – Medical Center:
http://gumc.georgetown.edu/research_support.html

100.10 APPROVAL: Cost and Sponsored Accounting, Division of Financial Affairs

100.11 REVIEW CYCLE: Annually