



UPR Subrecipients Risk Monitoring

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Session norms



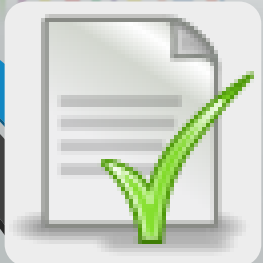
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Questions **related to a topic** could be made during the presentation



Question on a **specific case** will be answer at the end of the presentation



Training Materials will be available via google drive

Agenda

- **Basic Concepts**
- **Subrecipient Monitoring Background**
- **Subrecipient Monitoring Guide**



Basic Concepts

- **Finance Office circular 16-17**
 - Approved in september 28, 2015, amended on june 30, 2016.
 - Differentiates the **contract requirements of grants agreements between UPR** units from grants agreements with external entities.
 - Defines the **accounting for grant agreements between UPR units**.
 - Establishes the **“Intercampus Subaward Agreement”** as the **official UPR document** to be used to formalized grants agreements between UPR units.

Basic Concepts

2 CFR 200 (Uniform Guidance)

- Subparte A – Acronyms and definitions (2 CFR 200.0 – 200.99)
- Subparte B – General Provisions (2 CFR 200.100 – 200.113)
- Subparte C – Pre-award Requirements and Contents of Federal Awards (2 CFR 200.200 – 200.212)
- Subparte D – Post Federal Award Requirements (2 CFR 200.300 – 200.345)
- Subparte E – Cost Principles (2 CFR 200.400 – 200.475)
- Subparte F – Audits Requirements (2 CFR 200.500 – 200.520)

Appendix

Basic Concepts

- **Cost Principles (2 CFR 200 Subpart E)**
 - Establishes standards for the **allowability** of costs.
 - Provides detailed guidance on the cost accounting **treatment of costs as direct or F&A costs**.
 - Sets **allowability** and **allocability** principles for selected items of cost.
 - Applicability of a **particular set of cost principles depends on the type of organization** (regardless whether domestic or foreign) making the expenditure.

Basic Concepts

- **Cost Principles Applicability:**

Type of Organization	Applicable Cost Principles Regulation
College or University State, Local, or Indian Tribal Government Nonprofit Organization	2 CFR 200
Profitmaking Organization	48 CFR 31.2
Hospital	usually 45 CFR 75, Appendix IX

Basic Concepts

Cost Principle Example:

A **for-profit organization** collaborating with a university recipient would be subject to the **cost principles for commercial organizations (48 CFR 31.2)**, while the university would be subject to the **cost principles for Institutions of Higher Educations (2 CFR 200)**.

Basic Concepts

- **200.86**, Recipient - Non-Federal entity that receives a Federal award directly from a Federal awarding agency to carry out an activity under a Federal program.
- **200.74**, Pass-through entity - Non-Federal entity that **provides a subaward to a subrecipient** to carry out part of a Federal program.
- **200.93**, Subrecipient - Non-Federal entity that **receives a subaward from a pass-through entity** to carry out part of a Federal program.
- **200.23**, Contractor (replaces term “vendor”, used in A-133) - means an **entity that receives a contract**.

Types of Agreements

- **200.201**, Pass-through entity must decide on the appropriate instrument for the Federal Award:
 - **200.51** - Grant agreement
 - **200.24** - Cooperative agreement
 - **200.22** - Contract



Fixed Amount Awards

- **Fixed amount awards (New) (See 200.332 and 200.45)**
 - Requires prior approval from Federal awarding agency
 - Payments are based on meeting specific requirements of the Federal Award
 - Accountability is based on performance and results
 - Award amount is negotiated using cost principles as a guide (Up to Simplified Acquisition Threshold (currently \$150,000))
 - No governmental review of the actual costs incurred

Subaward vs. Contract

SUBRECIPIENT 200.330(a)	CONTRACTOR / VENDOR
Determines who is eligible to participate in a federal program	Provides the goods and services within normal business operations
Has its performance measured against whether the objectives of the federal program are met	Provides similar goods and services to many different purchasers
Is responsible for programmatic decision making	Operates in a competitive environment
Is responsible for complying with federal program requirements	Provides goods or services that are ancillary to the operation of the federal program
Uses the federal funds to carry out a program	Is not subject to the compliance requirements of the federal program as a result of the agreement

Subrecipient Risk Monitoring Background

- **2 CFR Part 200** establishes the uniform administrative requirements, cost principles and audit requirements for federal awards. The requirements also include **responsibilities of federal awarding agencies and pass-through entities in awarding, monitoring, and closing out of grant awards.**

Subrecipient Risk Monitoring Background

- Regarding risk monitoring of subawards, the **2 CFR 200, section 200.331 (6)(b)** indicates the following need: **“Evaluate each subrecipient’s risk of noncompliance** with Federal statutes, regulations, and the terms and conditions of the subaward for purposes of **determining the appropriate subrecipient monitoring** described in paragraph (e) of this section, which may include consideration of such factors as...”



Subrecipient Risk Monitoring Background

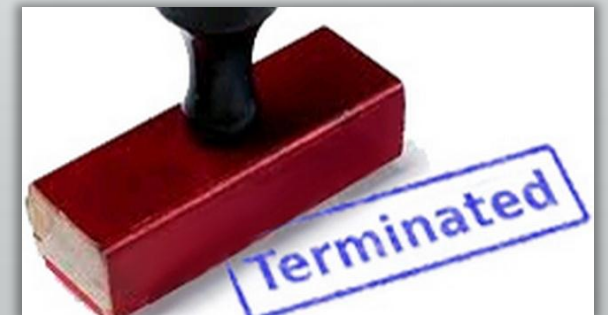
- **200.331(6)(e)**, “Depending upon the pass-through entity’s assessment of risk posed by the subrecipient (as described in paragraph (b) of this section), the following monitoring tools may be useful for the pass-through entity to ensure proper accountability and compliance with program requirements and achievement of performance goals... “.
 - Providing subrecipients with training and technical assistance
 - Performing on-site reviews

Subrecipient Risk Monitoring Background

- **200.331(h),** Pass-through entities must consider taking enforcement action based on noncompliance, including:
 - Temporarily withholding cash payments pending correction
 - Disallowing all or part of the cost
 - Wholly or partly suspending the award
 - Recommending suspension/debarment to federal awarding agency
 - Withholding further federal awards
 - Other remedies that may be legally available

Subrecipient Risk Monitoring Background

- **200.339**, The pass-through may terminate the award for “cause” with notice and opportunity for hearing (**200.340 and 200.341**)



Who must comply?

- These are to be fulfilled for **financial management systems, procurement, reports and records, and grant closeouts for non-federal entities**. The requirements also include responsibilities of federal awarding agencies and **pass-through entities in awarding, monitoring, and closing out of grant awards**.

Subrecipient Monitoring Guide

- Designed for **subawards that are subject to federal and/or agency-specific regulations established by the federal prime sponsor.**
- Monitoring procedures should be determined by the **PI and administrators** based on the nature of the grant and the **perceived risk associated with the subrecipient.**

Subrecipient Monitoring Guide

- Collection of documents to **assist administrators at the responsible offices** and central level with subrecipient monitoring.
- **Additional monitoring efforts should always be implemented if there is any question about the subrecipient's ability to ensure proper use and financial management of sponsor funds during any stage of the award.**

Subrecipient Monitoring Guide

- Based on:
 - Various US Intensive Research Universities procedures
 - Federal Demonstration Partnership
 - UPR Peer reviews
 - Review of related policies used on UPR units

Subrecipient Monitoring Guide

Award Stages

Initial Award Stage Monitoring



Ongoing Monitoring



Subaward Closeout

Initial Award Stage

- Includes proposal through award set-up.
- The goal of subrecipient monitoring efforts at this stage is to **ensure that the subrecipient is capable of compliantly spending the federal funds and meeting the project goals.**
- A risk assessment should be performed to **assess the potential risk level of a subrecipient.**

Initial Award Stage

- A questionnaire relating to the organization's financial and management strength can be **completed internally or by the subrecipient.**
- The results of the risk assessment should be used to **determine the frequency and scope of subrecipient monitoring.**
- The monitoring plan should include **strategies to mitigate** potential risks of non-compliance

Subrecipient Profile Questionnaire

- The questionnaire is used to help **determine a subrecipient organization's financial and management strength**, which helps assess risk and dictates the monitoring plan for subrecipients.
- The questionnaire can be completed by the **subrecipient or by the UPR responsible office** before an agreement is made with the subrecipient.
- Questions may be omitted or added to obtain information most useful for developing a monitoring plan.

Subrecipient Profile Questionnaire (Cont.)

- Address and contact information
- Company Information
- **Type of organization**
- Fiscal year
- Organization classification
- Name of designated federal cognizant agency, if applicable
- **Negotiated Federal Facilities and Administrative rate**
- **Internal policies**
- Contact information
- Required to comply with the 2 cfr 200, Subpart F-Audit Requirements (Single Audit)
- Does the organization have a **financial management system** that provides records that can identify the source and application of funds for award-supported activities?
- Does the **financial system provide for the control and accountability** of project funds, property, and other assets?

Subrecipient Risk Assessment Evaluation Form

- Used by responsible offices to **assess the level of risk** posed by the subrecipient.
- The form **focuses on federal** and federal flow-through funds and should not be used for external funds other than that.
- **The form is organized into four separate sections:**
 - Threshold Questions
 - Other Considerations
 - Institutional Questions
 - Project Specific Questions

Subrecipient Risk Assessment Evaluation Form (Cont.)

- **Threshold Questions**
 - Intended to quickly identify the highest risk candidates: **debarred or suspended, lack of COI policy, and the existence or not of an established accounting system, and acceptable procurement system.**
 - If the subrecipient is identified as debarred or suspended, on the SAM system, and the UPR still need to make an agreement with this specific subrecipient, then it is **required to obtain prior approval from the prime sponsor.**

Subrecipient Risk Assessment Evaluation Form (Cont.)

- **Other Considerations**
 - Intended to **assess risk** that may or may not result in additional **language** in the subaward.
- **Institutional (Subrecipient) Questions (Scored)**
 - These questions **focus on institutional characteristics** of the subrecipient and are independently scored.
 - For institutions that receive **\$750,000 or more in federal funds**, this institutional score should be static during the year, but may change after their single audit has been completed.
 - For institutions under the \$750,000 threshold, this number may change during the year.

Subrecipient Risk Assessment Evaluation Form (Cont.)

- **Project Questions (Scored)**
 - Focus on the **characteristics of the project** and are independently scored.
- **Scoring Methodology**
 - A subaward with another UPR campus or unit should be considered as low risk.
 - Subaward may be considered as **lower risk** if it receives an institutional score of at most 9, a project score of at most 13, or a combination total of institutional and project score below 26.
 - An institutional score over 9, a project score over 13, or total combined score equal or above 26 constitute a higher risk subaward.

Risk Levels / Lower Risk

Review **audit reports**

If findings exist **determine materiality and risk(s)**

Review invoices frequently to ensure: Timeliness, completeness and accuracy Science is in line with spending PI approval states “okay to pay”

Work is performed **within the period of performance**

Compliance with **special terms** (if applicable)

Risk Levels / Higher Risk

Review all steps in the “Lower Risk” category in addition to the following:

Exercise your **right to audit or consider performing a site visit or desk review**

Request **supporting detail** for all financial invoices and expenses

Request and review financial reports **more frequently**

Request **regular contact and communication** with the PI

Document conversations and retain pertinent emails

Withhold payments if necessary

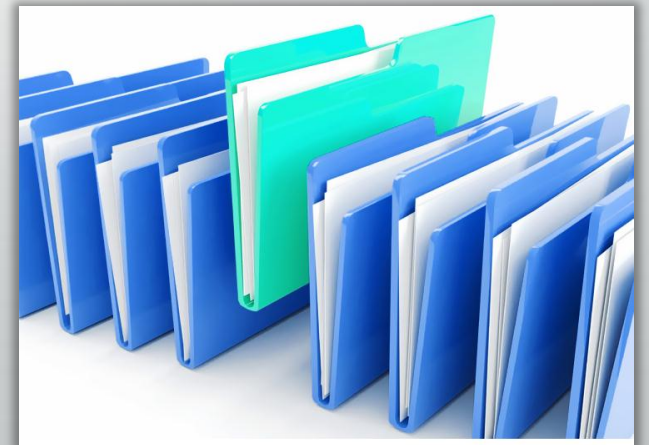
Elevate potential risks to the Office of Compliance Research and Integrity for review and discussion

Ongoing Monitoring

- Includes activities undertaken to **monitor the subrecipient's administration, billing and scientific progress** as well as on-going risk assessments (i.e. review of annual audit findings).
- **Frequent communication** between the PI, responsible offices staff and research administrators at UPR and the subrecipient institution is essential to ensure a compliant and successful collaboration.
- Charges appear **reasonable and progress to date** for the project.

Ongoing Monitoring

- To ensure proper use of sponsor funds, the **invoices must be monitored** for completeness.
- Best practice dictates **documenting all efforts** related to subrecipient monitoring.



Guide for review of subaward invoices

- **Allowability**
- Expenses included in the subaward **budget**?
- Are the expenses in the agreement consistent with the **programmatic plan**
- **PI approval** signature
- Expenses incurred **timely**
- **Not** invoicing for amounts **over** the approved budget
- Invoicing **based on actual expenses only**
- Invoice total correct?
- **Facilities & Administration (F&A) costs calculated correctly**
- Invoice signed by an **authorized institutional official**?

Subrecipient Monitoring Record

- UPR info
- Subrecipient info
- Sub-Award Period of Performance
- Project Invoicing Frequency
- **Name and position of the person of the UPR responsible for overseeing this record**
- **Scheduled Reporting Dates (based on the terms of the grant award)**
- **Informal Progress Reports Completed**
- **Other Communications**

Subaward Closeout

- Includes activities related to ensuring that the work was performed and properly billed
- The responsible office had the responsibility to ensure that all documentation related to project performance and financial obligations are received
- Verifying final invoice and reviewing all technical/financial reports to ensure that the subrecipient provided all project deliverables and met project obligations

Subrecipient Monitoring Contact Information

- **Office of Research Compliance and Integrity**

- Phones:

- 787-281-0994 Direct
- 787-250-0000 ext. 3141, 3126, 3151, 3125

- Emails:

- carlos.rodriguez107@upr.edu
- marcos.perez1@upr.edu

- **Central Finance Office**

- Phone:

- 787-250-0000 ext. 4001, 4311

- Email:

- gloria.soto@upr.edu

Questions

