



OMB Uniform Guidance – Impact On Subrecipient Monitoring And Management

The recently released *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards from the Office of Management and Budget* (2 C.F.R. § 200) (Uniform Guidance or UG) is intended to ease the administrative burden and cost of compliance for entities that receive Federal awards. The *Subrecipient Monitoring and Management* section is applicable to all Federal Awards, which will include subawards issued from prime awards made under the Uniform Guidance as of December 26, 2014.

In comparison to A-133, the UG provides additional specific guidance related to subrecipient and contractor determinations (200.330) and requirements for pass-through entities to issue, monitor and manage subawards (200.331).

Overall, grantees should ensure that they address issues associated with subrecipient monitoring because the increased emphasis on internal controls in the Uniform Guidance may increase risk if adequate policies and procedures are not in place or followed.

Huron has summarized the key changes impacting Subrecipient Monitoring and Management and provided recommendations to assist institutions in operationalizing the changes.

Additional Guidance via the UG: Subrecipient and Contractor Determinations

Institutions of Higher Education (IHEs) and non-profit organizations may receive Federal awards as a recipient, a subrecipient, or a contractor, depending on the substance of the specific agreement. The Uniform Guidance clarifies that it is a pass-through entity's responsibility to *make case-by-case determinations* on whether the role of a sub-entity is a subrecipient or a contractor (moving away from the term vendor from A-133). However, the UG provides recommendations regarding the characteristics of each and the federal guidance continues to recognize that the substance of the relationship is more important than the form of the agreement when making this determination.

Recommendation:

- Review and evaluate institutional policies and procedures in support of the Uniform Guidance. Policies and procedures should:
 - Define the role of the Institution for making subrecipient/contractor determinations,
 - Describe the characteristics and classification of subrecipients versus contractors, and,
 - Provide guidance on how to evaluate unusual circumstances.
- Consider developing tools, such as a decision tree or matrix, to inform and guide staff in their decision making processes.

Additional Guidance via the UG: Requirements for the Subaward Agreement

The Uniform Guidance establishes the necessary elements which must be included in any federal subaward agreement. These elements must be clearly identified by the pass-through entity and updated, as needed, over the life of the agreement, specifically:

- Federal award identification details (*detailed list included in section 200.331*)
- Responsibilities and requirements of the federal flow-through and pass-through entities
- Federally approved indirect cost rate (a rate negotiated between the pass-through entity and the subrecipient or the de minimis 10% rate)
- A requirement that the subrecipient permit the prime entity and auditors to have access to subrecipient's records and financial statements
- Explicit subaward close-out provisions

Recommendation:

- Incorporate these detailed requirements directly into institutional policies and procedures.
- Consider developing/updating tools and job aids to be used by contracting staff, such as subaward templates and checklists, to verify that all required elements are incorporated into outgoing federal subaward agreements.
- Review and update policies and procedures for reviewing and confirming federally negotiated indirect rates for subrecipients, and negotiating rates for subrecipients in accordance with Federal guidelines.

MAJOR Clarification via the UG: Scope of Monitoring Activities

One major change within the Uniform Guidance is the clarification that monitoring responsibilities for pass-through entities *are limited to subaward agreements* between the pass-through entity and the subrecipient. A-133 language currently states that pass-through entities must “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”. The Uniform Guidance replaces the term “Federal awards” with the term “subaward,” clarifying that pass-through entities are primarily responsible for evaluating and monitoring subrecipient institutions on awards for which they are directly accountable. That said, pass-through entities do need to verify (as opposed to ensure) that subrecipients are audited in accordance with the Uniform Guidance.

The UG also provides information that can be considered in the evaluation of a subrecipient's risk of noncompliance with federal regulations and terms and conditions of a specific subaward, including:

- Subrecipient's prior experiences as a subawardee with *the same or similar subawards*
- Results of previous audits, especially with regard to *the same or similar subawards*
- Changes in personnel or substantially changed systems at the subrecipient institution
- Results of monitoring by federal agencies (if the subrecipient also receives awards directly from a federal awarding agency)

Based on the risk evaluation, pass-through entities must monitor the subrecipient to confirm that the subaward is used for authorized purposes. The UG outlines specific monitoring activities, not previously detailed in A-133, which include:

- Review of required programmatic and financial reports
- Follow-up on the status of addressing deficiencies *related to the specific subaward* identified in previous audit findings or directly by the pass-through entity
- Issuance of a management decision for audit findings *related to the specific subaward*
- Verification that the subrecipient is audited as required by Uniform Guidance Audit requirements

Recommendation:

- Review and update procedures for assessing each subrecipient institution's risk of noncompliance. Consider incorporating specific procedural steps to obtain and review the information points outlined in the Uniform Guidance.

- Develop and enhance monitoring procedures and tools, such as a decision tree or checklist, communication templates, and sample monitoring plans, to ensure proper accountability and compliance of subrecipients.
- Identify opportunities to coordinate and communicate with your Principal Investigators to promote proper achievement of performance goals, such as requiring PI signature on all subrecipient invoices prior to payment to validate that technical progress is in line with spending trends.

Additional Guidance via the UG: Suggested Approaches to Monitoring

The Uniform Guidance also suggests specific monitoring tools to review a subrecipient's accountability for and compliance with subaward program requirements and achievement of performance goals, including:

- Training and programmatic assistance
- On-site reviews of program-related operations
- Incorporation of additional sanctions and procedures

The Uniform Guidance also suggests pass-through entities take enforcement action, when warranted, against noncompliant subrecipients and provides specific actions that can be taken by the pass-through entity, including:

- Temporarily withholding cash payments pending correction of the deficiency
- Denying both use of funds and any applicable matching credit for all or part of the cost of the activity or action
- Wholly or partly suspending or terminating the Federal subaward
- Withholding further Federal subawards
- Taking other remedies that may be legally available

Recommendation:

- Review and update policies and procedures for monitoring subrecipient institutions and enforcing action against non-compliant subrecipients.
- Develop guidelines for your staff to establish when specific monitoring tools are warranted and how to deploy these new and sometimes complex techniques at outside institutions.
- Determine your institutional protocol to define when specific enforcement actions will be taken, including internal escalation procedures and investigator communication points.