

JACKSONVILLE STATE UNIVERSITY
Manual of Policies and Procedures

POLICY NO.: I:01:20

DATE: December 14, 2018

REVIEW/REVISION DATES: November 2018, December 2018, Oct. 2020

SUBJECT: Sub-Recipient Monitoring

APPROVED: Dr. Don C. Killingsworth, Jr., President

PURPOSE

The Operating Policy/Procedure (OP) sets forth institutional requirements for monitoring the programmatic and financial activities of sub-recipients for proper stewardship of sponsored funds and compliance with laws, regulations, and terms of the award. This applies to all sub-awards funded directly or indirectly from federal funds, or those used as cost-sharing or matching for federally funded programs, and to sub-awards with state and local governments, institutions of higher education and non-profit organizations. This does not apply to vendor agreements, agreements with for-profit entities, or works for hire.

POLICY

Federal Regulations

As a recipient of federal funding, Jacksonville State University (JSU) is required by 2 CFR Part 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) to monitor the activities of sub-recipients. This policy applies to all federal and State of Alabama sub-awards and may be extended to all sub-awards without regard to the primary funding source (individual elements may not be applied to sub-awards issued or modified prior to the implementation of the Uniform Guidance).

AGREEMENT REQUIREMENTS

Agreements with sub-recipients will contain the following clauses:

1. Allowable costs
 - a. Invoices submitted to JSU for payment will contain the following certification: "By signing this report, I certify to the best of my knowledge and belief that the report is true, complete and accurate, and the expenditures, disbursements and cash receipts are for the purposes and objectives set forth in the terms and conditions of the Federal Award. I am aware that any false, fictitious, or fraudulent information, or the omission of any material fact, may subject me to criminal, civil or administrative penalties for fraud, false statements, false claims or otherwise."
 - b. "In the event that any payments to the sub-recipient under this sub-award are subsequently disallowed by JSU or the prime recipient as items of costs of this sub-award, the sub-recipient shall repay JSU, on demand, the amount of any such subsequent payments to be made to the sub-recipient hereunder, without prejudice, however, to the sub-recipient's right thereafter to establish the allowability of any such item of cost under this sub-award."
2. Institutional information - Sub-recipient shall submit to JSU the following information in compliance with 2 CFR 200 and the Federal Funding Accountability and Transparency Act (FFATA) of 2006:
 - a. Full legal name, which must match its registered name in the Data Universal Numbering System (DUNS);
 - b. Descriptive title of sub-award project;
 - c. Full address of the legal entity, including the congressional district;
 - d. Full address of the primary place of performance, including the congressional district;
 - e. DUNS number;
 - f. Tax identification number;
 - g. Total compensation and names of top five executives, unless exempt from reporting such information according to FFATA requirements; and
 - h. For awards in which reimbursement of indirect costs is allowable, a copy of the approved federally recognized indirect cost rate agreement, or, if no such rate exists, documentation of acceptance of the *de Minimis* indirect cost rate as defined in 2 CFR 200.

3. Retention requirements for records - Financial records, supporting documents, statistical records, and all other records pertinent to an award shall be retained for a period of at least three years from the date of the final payment on the sub-award. If any litigation, claim or audit is started before the expiration of the three-year period, the records shall be retained until all litigation, claims or audit findings involving the records have been resolved and final action is taken.
4. Access requirements for records - In accordance with 2 CFR 501ff, JSU and its representatives, the federal awarding agency, the inspector general, the comptroller general of the United States, or any of their duly authorized representatives have the right of timely and unrestricted access to any books, documents, papers, or other records of recipients that are pertinent to the awards, in order to make audits, examinations, excerpts, transcripts, and copies of such documents. This right also includes timely and reasonable access to a recipient's personnel for the purpose of interview and discussion related to such documents. The rights of access in this paragraph are not limited to the required retention period, but shall last as long as records are retained.
5. Audits
 - a. Sub-recipients receiving sub-awards totaling \$10,000 or more will submit to JSU one copy of the federal compliance audit reporting package described below when the schedule of findings and questioned costs disclose audit findings relating to sub-awards that JSU provided, or when the summary schedule of prior audit findings reported the status of any audit findings relating to sub-awards with JSU. The reporting package shall include:
 - (1) Financial statements and schedule of expenditures of federal awards;
 - (2) Summary schedule of prior audit findings;
 - (3) Auditor's report(s); and the
 - (4) Corrective action plan.
 - b. Or the sub-recipient will provide written notification to JSU that:

"An audit of the sub-recipient was conducted in accordance with federal compliance requirements (including the period covered by the audit and the name, amount, and number of the sub-award(s) provided by JSU); the schedule of findings and questioned costs disclosed no audit findings specifically related to the sub-award that JSU provided; and the summary schedule of prior audit findings did not report on the status of any audit findings relating to the sub-award that JSU provided."

- c. The audit information required by a. or b. of this section shall be submitted within the earlier of thirty (30) days after receipt of the auditor's report(s) by the sub-recipient or nine months after the end of the audit period, unless a longer period is agreed to in advance by the cognizant or oversight agency for audit. In the event that the submissions cannot be made within nine months following close of a budget period, the sub-recipient must notify JSU in writing of the anticipated date of submission. All submissions required under this article shall be submitted to the following address:

Principal Investigator Name Here
Jacksonville State University
700 Pelham Rd N
Jacksonville, AL 36265

6. Conflict of Interest - Sub-recipients will provide evidence that they have a conflict of interest policy and procedure that is in compliance with federal regulations or, in the absence of having their own conflict of interest policy, certify that they will follow JSU's policy. Should any conflicts of interest exist, sub-recipients will certify that such conflicts have been reduced, eliminated, or managed.

Risk Assessment Responsibilities

1. Inform sub-recipients of the following:
 - a. Requirements imposed on them by the pass-through entity so that the federal award is used in accordance with federal statutes, regulations, and the terms and conditions of the federal award.
 - b. Additional requirements imposed on them by JSU to meet its own responsibility to the federal awarding agency, including identification of any required financial and performance reports;
 - c. A requirement that the sub-recipient permit JSU and its auditors to have access to the sub-recipient's records and financial statements in compliance with Audit requirements this policy; and
 - d. Appropriate terms and conditions concerning closeout of the award.
2. Establish written procedures for pre- and post-award monitoring of the activities of sub-recipients as necessary to ensure:
 - a. Federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements, and

- b. Performance goals are achieved.
3. Ensure that sub-recipients expending \$750,000 or more in federal awards during the sub-recipient's fiscal year have met the audit requirements of this part for that fiscal year.
4. Review management decision on audit findings within six months after receipt of the sub-recipient's audit report and ensure that the sub-recipient takes appropriate and timely corrective action.
5. Consider whether sub-recipient audits necessitate adjustment of JSU's own records.

PROCEDURES

PRE-AWARD PROCEDURES

During the Proposal Development/Pre-Submission Phase before JSU submits a proposal for funding involving one or more sub-recipients, the University must obtain verification from the sub-recipient, as evidenced by the receipt of a letter of commitment and related documentation, that the proposed sub-recipient is committed to participating in the project and is generally eligible to receive federal funds, and confirms that the sub-recipient has the basic policies and procedures in place to manage federal funds.

In addition to the letter of commitment, the sub-recipient must also provide to JSU a statement of work, budget, and other necessary documentation, such as a copy of its federally negotiated F&A rate agreement, if applicable. These documents should inform the overall content of JSU's funding proposal and will form the basis for the sub-award agreement if the grant is awarded.

DURING THE AWARD NEGOTIATION PHASE

After the federal agency has issued a notice of award to JSU, the University is responsible for initiating sub-award agreement(s) with the proposed sub-recipient(s). Before sending the sub-award agreement, however, JSU needs to conduct a risk assessment of the sub-recipient's compliance processes and eligibility to receive federal funds. This includes review of the following databases and other materials:

1. The online System for Award Management (SAM), to confirm the sub-recipient's registration is current and that neither it nor its PIs/PDs are debarred, suspended, or otherwise ineligible to receive federal funds;

2. The Federal Audit Clearinghouse's Website, if the sub-recipient expends \$750,000 or more in federal funds each year, to confirm past years' reports have been submitted and to determine whether there were any material weaknesses or deficiencies reported related to their grant program(s);
3. The sub-recipient's most recent federal compliance audit, which must be provided to JSU for review prior to award in paper, email or online (Web link) format.

POST-AWARD PROCEDURES

Initiating the Sub-award Agreement:

1. After the sub-recipient agency's materials have been reviewed, the agency has been assessed for risk, and potential concerns have been adequately addressed, JSU may issue the sub-award agreement.
2. The sub-award agreement must be accepted and signed by appropriate individuals at JSU and at the sub-recipient agency who have the authority to enter into sponsored agreements on behalf of each institution.
3. Although the following information is contained within the terms and conditions of the sub-award agreement, the sub-recipient agency should be made particularly aware of the following items during the award initiation phase of the project:
 - a. Records retention requirements (generally three years after project closeout, unless otherwise specified);
 - b. Access to records by JSU, the federal awarding agency, and/or their authorized representatives;
 - c. Due dates for financial, technical and/or performance reports; and
 - d. General format for and content of invoices.
4. Depending on the scope and nature of the sub-award, other items JSU may need to review or address during the award initiation process include, but are not limited to:
 - a. Confirmation of Institutional Review Board (IRB) or Institutional Animal Care and Use Committee (IACUC) approvals;
 - b. Existence and enforcement of a Responsible Conduct of Research policy and procedure (NSF, NIH and USDA proposals only); and/or
 - c. Cost sharing commitments and reporting.

Monitoring:

1. The Sponsored Program Accountant and the Principal Investigator/Project Director are jointly responsible for regular monitoring of the sub-award throughout the life of the award. The purpose of monitoring is to:
 - a. Ensure federal funds are spent in compliance with the applicable laws, regulations and provisions, and
 - b. Ensure performance goals are met.
2. Large projects involving sub-awards of \$100,000 or more and/or projects with sub-recipients that have limited experience with successfully managing grants should be monitored closely throughout the life of the project.
3. The Sponsored Program Accountant is responsible for macro-level (institutional-level) monitoring processes while the Principal Investigator/Project Director is responsible for micro-level(project-level) monitoring.
 - a. Macro-level monitoring processes are outlined in the checklists provided at the end of this document, and they should include advising the sub-recipient of requirements imposed on them by federal laws, regulations and the provisions of the sub-award agreement, to ensure that the award is being carried out according to the terms and conditions of the agreement. These offices should also be aware of the sub-recipient's audit findings related to the award and review management decisions and corrective actions taken on said findings.
 - b. Micro-level monitoring, conducted by the Principal Investigator / Project Director (PI/PD), involves regular (as often as daily, but no less than monthly) communication between JSU and the sub-recipient organization to ensure the project is being carried out as proposed and according to schedule. Minor variations are allowable, but major variations – change of project scope, omission/addition of major activities, and/or re-budgeting between line-item categories that exceeds 25% of the total annual budget – should be addressed as soon as possible. If changes need to be made to the budget, reporting deadlines and/or performance goals as indicated in the agreement, the PI/PD must notify the Office of Sponsored Programs and the Office of the Director, Budget, Grants and Contract Accounting as soon as possible to confirm the allowability of the revisions and to issue a revised sub-award agreement, if necessary. In addition to maintaining regular communications, micro-level monitoring by the PI/PD should include the following activities:

- (1) Review and approval (or request for revision/additional information) of periodic technical/performance reports;
 - (2) Review and approval (or request for revision/supporting documentation) of sub-recipient invoices; and
 - (3) Monitoring of general rate of expenditures and implementation of activities. If the project appears to be significantly behind or ahead of schedule, follow up with the sub-recipient to review the project requirements and progress.
4. Finally, if the PI/PD has any questions or would like to request further assistance regarding the sub-award monitoring process, he/she should contact the Office of Sponsored Programs and the Office of the Director, Budgets, Grants and Contract Accounting at his/her earliest convenience to obtain support and assistance throughout the process.

Continuation Awards:

1. Follow the same procedures as for the initiation of the sub-award, but issue an amendment to the agreement rather than a whole new agreement.
2. Additionally, review the sub-recipient's audit from the previous year and address any concerns, weaknesses, and/or deficiencies noted in relation to the project.

CHECKLISTS

Office of Sponsored Programs responsibilities:

1. During the **pre-award/proposal submission stage**, obtain the following documents from the potential sub-recipient:
 - a. sub-recipient letter of commitment
 - b. brief statement of work for the project
 - c. itemized budget and justification
 - d. other required documentation as needed
2. During the **pre-award/proposal submission stage**, review the following databases and/or documents for general compliance, confirmation of eligibility, and to assess risk:
 - a. System for Award Management (<https://www.sam.gov>)
 - i. Organization/Institution
 - ii. Principal Investigator/Project Director
 - b. Federal Audit Clearinghouse, if applicable (if total federal awards in a single fiscal year \geq \$750,000), to confirm timely submission of reports,

at <https://harvester.census.gov/facweb/Default.aspx>

- c. copy of the sub-recipient's most recent federal compliance audit
 - d. information on the sub-recipient's recent grant management experience, including biographical sketches and/or CVs from key personnel
 - e. copies of the sub-recipient's policies and procedures (when applicable), including information on internal controls, for the following:
 - i. conflict of interest
 - ii. personal activity reporting (effort reporting/certification)
 - iii. procurement and expenditure payments
 - iv. other special policies required by the funding agency
3. When **issuing the sub-award agreement**, ensure the agreement contains the following information:
- a. Federal Award Identification Number (FAIN),
 - b. Catalog for Federal Domestic Assistance (CFDA) number,
 - c. award name,
 - d. name of the federal awarding agency,
 - e. the amount of the total award, and
 - f. the applicable federal compliance requirements, including but not limited to, the following:
 - i. The Code of Federal Regulations,
 - ii. The Agency-Specific Terms and Conditions, and
 - iii. Related requirements.
4. During the sub-award implementation phase, conduct **periodic spot checks** of reports, including performance reports and effort reports (i.e., personal activity reports), where applicable.
5. Also, during the implementation phase, **periodically advise the sub-recipient** on federal laws and regulations, as well as agreement-specific terms and conditions, for which they are responsible.

6. During the **annual renewal process**, if applicable, review the following databases and/or documents for general compliance, confirmation of eligibility, and to assess risk:
 - a. System for Award Management (<https://www.sam.gov>)
 - b. Federal Audit Clearinghouse, if applicable (if total federal awards in a single fiscal year \geq \$750,000), to confirm timely submission of reports, at <https://harvester.census.gov/facweb/Default.aspx>
 - c. Copy of the sub-recipient's most recent federal compliance audit
 - d. Feedback from the PI/PD regarding timeliness and completion of project objectives during the previous funding period(s)
 - e. Copies of any revised/changed policies and procedures

Sponsored Programs Accountant responsibilities:

1. Entering **FFATA Reporting Information** in the FFATA Sub-award Reporting System (FSRS) by the end of the month following the month in which the sub-award was made, if the sub-award equals or exceeds \$25,000 (cumulative).
2. Assisting PI/PD with Federal Rules and Regulations regarding allowability of any questioned costs on invoices submitted by sub-recipient.
3. Ensure invoice documentation from the PI/PD supports amounts billed and meets the requirements of the award.
4. Request clarification of invoiced charges that appear unusual, excessive, or questionable.
5. Request detailed justification and/or documentation to verify the allowability of cost as required/needed.
6. Submit approved invoices and all necessary documentation to Accounts Payable for payment processing.
7. Review the sub-recipient's audit reports to verify compliance with Subpart F and to determine if any audit findings pertain to the sub-award. For findings related to the sub-award, issue a management decision and assess the sub-recipient's corrective action to ensure deficiencies are corrected in a timely manner.
8. Determine whether the results of the sub-recipient's onsite reviews or other monitoring results necessitate adjustments to previous payments to the sub-recipient and/or modified terms and conditions to sub-award for future terms.
9. For entities not subject to Subpart F of the Uniform Guidance (private and non-federal state), consider requesting audited financial statements and/or completion of a financial controls questionnaire. Additional terms and

conditions may be added to the sub-award upon findings in the requested documents.

10. Request annual certification from sub-recipient for compliance with federal requirements and sub-award agreement.

Principal Investigator/Project Director (or designee) responsibilities:

1. Prepare and maintain a **tracking system for monitoring** each of the items listed in this section.
2. Initiate and maintain **regular communications** (as often as necessary, but ***no less than monthly***) via telephone or e-mail to confirm the project is progressing as scheduled.
 - a. Document and save telephone calls/e-mails.
 - b. Significant delays or deviations should be noted and addressed through additional communications.
3. Review monthly (or quarterly) **invoices** from sub-recipient to ensure costs are reasonable, allowable, consistently treated, and allocable to the project, and to monitor project completion rates against the project schedule and budget.
 - a. If any costs are questioned, the PI/PD should *not* approve the invoices, but instead should follow these steps, making sure to document each one in writing:
 - (1) Contact the sub-recipient to request additional documentation. If the additional documentation resolves the problem and requires no changes to the invoice, approve the invoice and submit to the Sponsored Programs Accountant.
 - (2) If, however, the additional documentation does not support the questioned costs, contact JSU's Sponsored Programs Accountant for guidance with federal rules and regulations regarding questioned costs. The PI/PD should continue to work with the sub-recipient, the Sponsored Programs Accountant, the Office of Sponsored Programs and other responsible parties to address the disputed charges in a timely manner, and should request the sub-recipient submit a revised or new invoice to the PI/PD.

- b. Upon approval of all costs in the invoice, the PI/PD must approve the invoice and submit it to the Sponsored Programs Accountant for approval.
4. Review **performance/technical reports** on a regular basis.
 - a. Confirm the reports are submitted on time as indicated in the sub-award agreement.
 - b. Confirm the reports contain all of the required and necessary information.
5. Request **other information** necessary for completing performance / technical reports to the federal awarding agency as needed and well in advance of prime recipient report due dates.

RESPONSIBILITY

Definitions

Award means financial assistance that provides support or stimulation to accomplish a public purpose. Awards include grants and other agreements, in the form of money or property in lieu of money, by the federal government to an eligible recipient. The term does not include:

1. Technical assistance, which provides services instead of money;
2. Other assistance in the form of loans, loan guarantees, interest subsidies, or insurance;
3. Direct payments of any kind to individuals; and
4. Contracts that are required to be entered into and administered under procurement laws and regulations.

Contract means a legal instrument by which a non-federal entity purchases property or services needed to carry out a project or program under an award. The term as used in this document does not include a legal instrument, even if the nonfederal entity considers it a contract, when the substance of the transaction meets the definition of an award or sub-award as defined herein.

Contractor means an entity that receives a contract. Characteristics indicative of a payment for goods and services received by a contractor are when the organization:

1. Provides similar goods or services to many different purchasers;
2. Normally operates in a competitive environment;
3. Provides goods or services that are ancillary to the operation of the federal program; and

4. Is not subject to compliance requirements of the federal program as a result of the agreement, though similar requirements may apply for other reasons.

Pass-through entity means a non-federal entity (e.g., Jacksonville State University) that provides a sub-award to a sub-recipient to carry out part of a federal program.

Sub-award means an award of financial assistance, in the form of money or property in lieu of money, made under an award by a pass-through entity to an eligible sub-recipient. The term includes financial assistance when provided by any legal agreement, even if the agreement is called a contract, but does not include payments to a contractor or an individual that is a beneficiary of a federal program. A sub-award may be provided through any form of legal agreement, including an agreement that the pass-through entity considers a contract.

Sub-recipient 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 sub-recipient may also be the recipient of other federal awards directly from a federal awarding agency. Characteristics indicative of a federal award received by a sub-recipient are when the organization:

1. Determines who is eligible to receive federal assistance and the type of assistance to be received;
2. Has its performance measured to determine whether the objectives of a federal program were met;
3. Has responsibility for programmatic decision making;
4. Is responsible for adherence to applicable federal program requirements specified in the federal award; and
5. In accordance with its agreement, uses the federal funds to carry out a program for a public purpose specified in the authorizing statute, as opposed to providing goods or services for the benefit of the pass-through entity.

RESPONSIBILITY:

The Senior Director of Sponsored Programs is responsible for this policy.

EVALUATION:

This policy will be reviewed every five (5) years by the Office of Sponsored Programs.