

Western Michigan University Subrecipient Monitoring Policies and Procedures

Purpose

The purpose of this policy is to provide guidance to enable the University to be compliant with OMB Circular A-133, specifically with respect to its regulations regarding oversight of subrecipients on federally sponsored programs.

Definition of Subrecipient

A subrecipient is the recipient of a subcontract awarded to a foreign or domestic university or other non-profit organization for the performance of a portion of the work statement covered by a prime agreement which is funded either directly or indirectly with Federal funds. It does not include agreements for consulting services or purchase orders for equipment, materials or other services.

Appropriate Use of Subawards

When funds awarded to Western Michigan University for the conduct of a sponsored program are to be paid to an organization/business outside (subawardee) of the University, the arrangement should be made via a subaward if:

- the scope of work to be performed utilizes the facilities, employees and/or resources of the subawardee;
- the subawardee is contributing substantively to the scholarly/scientific conduct of the project as described in the scope of work and has responsibility for programmatic decision making;
- the subawardee has responsibility for adherence to applicable Federal program compliance and performance and is measured against whether the objectives of the Federal program are met;
- the subawardee will bring a unique knowledge and expertise to the project and conduct the work mostly independent of Western's direct supervision or control with only general technical direction and coordination exerted by the Western Principal Investigator (PI); and
- the subawardee, as part of its primary business operations, does not provide the same goods and services to others and will be using the subaward funds to carry out a program of the subawardee organization rather than provide goods and services to complete a program for the sole benefit of Western Michigan University (e.g. purchase, fabrication or repair of equipment, data processing, routine analytical or testing services).

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Inappropriate Use of a Subaward

- if the agreement is for the provision of goods or services within normal business operations;
- if the organization/business provides similar goods or services to many different purchasers;
- if the organization/business operates in a competitive environment for the provisioning of the goods or services to be procured;
- if providing goods or services are ancillary to the operation of the Federal program; and
- if the organization/business is not subject to compliance requirements of the Federal program.

When a subaward is not appropriate, check with the Purchasing Department for further instructions on how to purchase the goods or services.

Subawards at the Proposal Stage

The determination of the potential need for a subaward to a business/organization is normally made at the proposal stage. The Principal Investigator identifies the scope of work to be performed by the potential subawardee and must be prepared to justify the selection of the potential subawardee. When selecting a potential subawardee, the Principal Investigator should be aware of the 'Codes of Conduct' section (Subpart C.42) of OMB Circular A-110 ("*Uniform Administrative Requirements for Grants and Agreements for Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations*") which states the following:

"C.42 Codes of conduct. The recipient shall maintain written standards of conduct governing the performance of its employees engaged in the award and administration of contracts. No employee, officer, or agent shall participate in the selection, award, or administration of a contract supported by Federal funds if a real or apparent conflict of interest would be involved. Such a conflict would arise when the employee, officer, or agent, any member of his or her immediate family, his or her partner, or an organization which employs or is about to employ any of the parties indicated herein, has a financial or other interest in the firm selected for an award. The officers, employees, and agents of the recipient shall neither solicit nor accept gratuities, favors, or anything of monetary value from contractors, or parties to subagreements. However, recipients may set standards for situations in which the financial interest is not substantial or the gift is an unsolicited item of nominal value. The standards of conduct shall provide for disciplinary actions to be applied for violations of such standards by officers, employees, or agents of the recipient."

Note: Principal Investigators must also consider the University's policy on Conflict of Interest as well as NSF's and PHS's, if applicable.

Proposals to external sponsors in which a potential subawardee is identified requires the inclusion of certain information. The Principal Investigator, at a minimum, must receive from the potential subawardee a letter of intent, a budget, and the agreed upon scope of work. Depending on the proposal preparation guidelines of the sponsor, other information may also be required, such as biographical sketches, current and pending support, and available facilities pages. Check proposal preparation guidelines and/or special program announcements for sponsor-specific

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requirements for subawardees. The subawardee documents must be submitted to the Office of Research and Sponsored Programs as part of the overall proposal.

The letter of intent should reference the project title, duration, funds requested, intent to accomplish the work as outlined in the scope of work, and be signed by the subawardee Principal Investigator and the authorized representative of the subawardee. Note: The NIH requires that letters of intent include a confirmation that the appropriate programmatic and administrative personnel of each organization involved in the application are aware of the PHS consortium grant policy and are prepared to establish the necessary inter-institutional agreements consistent with that policy. The letter of intent should include certification regarding education in the protection of human research participants. The following is suggested language: "All investigators and other key staff involved in this subaward (list names), have completed the following course (state course title plus a one-sentence description) in the responsible conduct of research involving human subjects." If the subawardee is unable to certify to the above in the letter of intent, such certification will be required at the just-in-time stage and prior to the initiation of the subaward. The certification must be signed by the subawardee Principal Investigator and Authorizing Official.

The budget consists of subawardee costs only, which could include both direct and facilities and administrative (F&A) costs. If F&A costs are included in the potential subawardee budget, a copy of their most current F&A Cost Agreement must be provided to Research and Sponsored Programs. The purpose of the F&A Agreement is to verify the F&A rate and fringe benefit rates used in the budget.

The scope of work outlines the work to be accomplished by the subawardee. It is not uncommon for the sponsor to request revised information, e.g., budget after the initial review of the proposal by the sponsor. This revision may or may not impact a potential subawardee. If it does, the Principal Investigator would contact the subawardee for the required revisions. All revised documentation from the potential subawardee would once again require an institutional/organizational authorized representative signature. This documentation, along with any other sponsor-requested information would be forwarded to Research and Sponsored Programs for a Western Michigan University authorized signature prior to submission to the sponsor. Occasionally the sponsor will reduce anticipated funding, at the award stage, without requesting a formal, revised budget.

Compliance Responsibilities of the University

The University is responsible for ensuring that subrecipients with Federal funding in excess of \$500,000 per year comply with OMB Circular A-133. The specific oversight responsibilities include:

- ensuring that the subrecipient is in compliance with A-133;
- ensuring that appropriate corrective action is taken within six (6) months after receipt of the subrecipient audit report in instances of noncompliance with Federal laws and regulations;
- considering whether subrecipient audits necessitate adjustment of the University's own records;
- requiring that subrecipients permit independent auditors to have access to the records

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and financial statements as necessary in order for the University to comply with A-133;
and

- providing the Catalog of Federal Domestic Assistance (CFDA) number to the subrecipient when issuing a subaward or subsequent change order.

Administrative Procedures for Compliance

In order to comply with the requirements of OMB Circular A-133 with respect to our subrecipients, the University has assigned oversight responsibilities for the receipt of A-133 subrecipient certification forms and/or audit reports. These responsibilities and procedures are outlined below.

- Subcontracting Procedures - subawards issued off of Federal Funds will contain the following article in the terms and conditions:
 - “Subrecipient certifies that, to the best of its knowledge and belief, it is in full compliance with OMB Circular A-133. Subrecipient agrees to notify WMU if it is not in compliance with A-133 at any time during the course of this project.
 - Subrecipient agrees to provide WMU on an annual basis throughout the life of the project, certification which states whether the A-133 audit was completed in accordance with OMB Circular A-133 and other information as prescribed in Section 320 of the Circular.
 - Subrecipient shall cooperate with WMU in resolving questions that WMU may have concerning any disclosed audit findings and plan(s) for corrective action, including submission of the entire A-133 reporting package. WMU may impose sanction on the subrecipient in cases of continued liability or unwillingness to have an A-133 audit conducted.
 - Subrecipient shall permit University internal auditors, as well as independent auditors, to have access to record and financial statements as necessary for WMU to comply with OMB Circular A-133.”

It is Research and Sponsored Programs responsibility to ensure that this clause is included in all subrecipient agreements issued from federal funds.

These procedures ensure that WMU receive adequate information and reports to assess whether Federal subrecipients are in compliance with A-133.

- Oversight Responsibilities – The following individuals and units are responsible for the monitoring of subrecipients and the receipt of subrecipient audit reports.
 - **Research and Sponsored Programs** is responsible for the development of the subaward and for inclusion of all applicable OMB requirements, disclosures, and for obtaining the proper signatures on the subaward.
 - **Principal Investigators/ Department Administrators** are responsible for monitoring periodic progress reports and invoices from the subrecipients for compliance with the terms of the contract. Invoices should be checked to ensure that they are reflective of progress. Non-compliance with technical reporting requirements or dissatisfaction with level of subrecipient progress should be

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reported immediately to Research and Sponsored Programs and the Grants and Contracts Office.

- **The Grants and Contracts Office** is responsible for reviewing all certifications, reports and correspondence concerning audit compliance.

Issuing the Subaward

Once Western Michigan University has accepted an award from a sponsor; which contains provisions for a subrecipient, a subaward is issued. Research and Sponsored Programs will prepare the subaward document in accordance with the terms and conditions of the prime award and will send two originals signed on behalf of Western Michigan University to the subawardee for signature. Subawardees are requested to return one copy to Research and Sponsored Programs. Research and Sponsored Programs is responsible for all negotiation of the subaward and any changes to the subaward document requested by the subawardee must be approved by Research and Sponsored Programs with the involvement of the PI and legal counsel if necessary. After receipt of the fully executed subaward (all parties have signed) the Grants and Contracts Office will enter the subrecipient information into the Grants PeopleSoft System for tracking.

Monitoring Procedures for Compliance

Monitoring the subcontractor's compliance with audit, financial and equipment reporting requirements is the responsibility of the Grants and Contracts Office. These responsibilities and procedures are outlined below.

- Ensure that a current certification or A-133 audit report is submitted annually.
- Review reports and letters submitted by subrecipients for instances of noncompliance or reported findings to determine whether adjustments are need to the University's records.
- In instances of noncompliance, Grants and Contracts will seek to obtain assurance from the subrecipient that corrective action efforts have taken place and shall review management's corrective action plan. Grants and Contracts will contact Internal Audit when assistance is required.
- Retain certifications and reports for a period of three years or longer if required by the sponsor after termination of the subcontract.
- Send letters and make follow-up phone calls requesting certifications or A-133 reports not received for the prior fiscal year, unless the subrecipient responded that they have a fiscal year-end date other than June 30. **The audit report is due nine months after the end of the audit period (typically the end of an organization's fiscal year).**
- **Subrecipients should be warned that lack of response is a condition of default of the contract and the University may consider suspension or termination of its arrangement with such organization, pending receipt of a response.**

Office of Internal Audit

Internal Audit coordinates the year-end A-133 audit, and will upon request advise the Grants and Contracts office regarding specific matters contained in subrecipient's A-133 reports.

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Sources of Federal Guidelines

- OMB Circular A-133 “Audits of States, Local Governments, and Non-Profit Organizations”
<http://www.whitehouse.gov/omb/circulars/a133/a133.html>

Sources of Other Pertinent University Policies

- [WMU Budget and Administrative Guidelines for Subrecipients](#)