

<b>PROCEDURE NUMBER:</b>	FINA 3.31 Procedure
<b>SECTION:</b>	Administration and Finance
<b>SUBJECT:</b>	Subrecipient Monitoring
<b>DATE:</b>	July 1, 2022
<b>REVISION:</b>	August 1, 2025
<b>Procedure for:</b>	All Campuses
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<b>Issued by:</b>	Administration and Finance – Controller’s Office

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## **Procedure**

The University Administration and Finance Division, Controller’s Office, will ensure compliance with University Policy FINA 3.31. This procedure is applicable to campuses, units, departments, centers, Principal Investigators (PIs), and administrators at the University who are involved with the initiation, administration, and conduct of sponsored awards. The purpose of this procedure is to supplement the associated policy by providing additional resources, detail, and guidance on subrecipient monitoring.

## **Office of Sponsored Awards Management (SAM) Responsibilities**

SAM is responsible for the following tasks related to subrecipient monitoring:

- i. Facilitating the completion of the Subaward Commitment Form for all subrecipients prior to subaward execution.
- ii. Coordinating with the Controller’s Office regarding the risk classification rating assigned to each subrecipient.
  - a. *For existing entities – SAM must review the shared file on the USMC Teams group for the risk classification rating assigned to each subrecipient during the most recent annual risk assessment.*
  - b. *For new entities (or those not included on the shared file) – SAM must coordinate with the Controller’s Office prior to subaward execution for guidance and input on a preliminary risk classification rating. After a temporary risk assessment is assigned, the subrecipient will be included in the subsequent annual risk assessment.*
- iii. Ensuring all applicable terms and conditions are captured in the subaward agreement, including adjusting the terms and conditions of each subaward based on the assigned risk classification rating for each subrecipient. Discussion should occur as needed to ensure appropriate terms and conditions exist for subrecipients classified as moderate or high-risk.
- iv. Uploading all subaward agreements and amendments, including any other supporting documentation and comments, into USCeRA.

## **University Subrecipient Monitoring Committee (USMC) Responsibilities**

The USMC is comprised of representatives from SAM and the Controller's Office, including individuals at the Director level or above from both areas. The USMC is responsible for performing the following tasks:

- i. Meeting annually to discuss the results of the current annual risk assessment and all assigned risk classification ratings.
- ii. Disseminating and discussing any subrecipients that experienced an increase in their risk classification rating year-over-year.
- iii. Discussing any entities given a risk classification rating of high.
- iv. Reviewing the standard subaward terms and conditions and propose adjustments, particularly for those subrecipients assessed as moderate or high-risk.
- v. Collaborating on any issues related to subawards or subrecipients, as applicable and necessary.

## **Controller's Office – Compliance Team Responsibilities**

### **A. Annual Risk Assessment**

The Controller's Office Compliance Team completes an annual risk assessment of all subrecipients and assigns a risk classification rating of Low, Moderate, or High to each based on the criteria outlined in the [Subrecipient Risk Classification Matrix and Risk Assessment Form](#).

All subrecipients are evaluated using the same standardized criteria and scoring methodology. The assessment occurs throughout the year and generally is completed each June for the preceding fiscal year of activity. Upon completion, the Controller's Office Compliance Team sends a notification to each subrecipient detailing their risk classification rating along with the implications and rationale for any changes

The annual risk assessment process includes the following components, all of which contribute to the subrecipient risk classification rating:

- i. General Assessment: High-level criteria are analyzed and considered, including entity type (e.g., US-based entity or foreign/international entity), subrecipient history (e.g., new vs. established subrecipient relationship), and dollar value of annual awards or expenditures.
- ii. Compliance Assessment: An Annual Subrecipient Compliance Survey is distributed to all subrecipients to gather information regarding the entity's practices and internal controls. In addition, the subrecipient's invoicing practices and the results of any applicable desk reviews and ongoing compliance reviews (see Sections C and D below) are considered.
  - a. *Entities who participate in the Federal Demonstration Partnership (FDP) are not required to complete an Annual Subrecipient Compliance Survey; instead, information obtained from the FDP Expanded Clearinghouse is used.*
- iii. Audit Assessment: Each subrecipient's applicability to an annual Single Audit is analyzed and considered, including a review of the results of the most recent audit (e.g., noteworthy findings) and the corrective action taken on prior year's findings. If an entity is not subject to Single Audit, other audits will be requested and reviewed, as applicable (e.g., independent financial statement audit, other compliance audits, etc.).

## **B. Desk Reviews**

On an annual basis, the Controller's Office Compliance Team will perform desk reviews of submitted subaward invoices. A combination of judgmental and random selection will be used to select a sample of invoices from at least 20% of the University's subrecipients. For each selected invoice, the following process will be completed to validate the invoiced expenses:

- i. The Controller's Office Compliance Team will reach out to the subrecipient contact to request an electronic general ledger report, with line-item detail, which supports the selected invoice.
- ii. Upon receipt of the general ledger report, a sample of individual expenses will be judgmentally selected for further review. Additional supporting documentation will be requested from the subrecipient contact for these selected individual expenses.
  - a. *Supporting documentation may include, but is not limited to, labor/payroll distribution reports, time and effort reports, time sheets, receipts, expense reports, requisitions, contracts, cost transfer entries and approvals, etc.*
- iii. Supporting documentation will be reviewed for completeness and allowability in accordance with applicable regulations (e.g., Uniform Guidance) and the terms and conditions of the subaward agreement.
- iv. Follow-up will occur with the subrecipient contact until all outstanding items have been resolved. Any identified adjustments (e.g., refunds) will be documented and communicated to the affected parties as necessary.
- v. Desk review results will be communicated to the subrecipient contact upon completion.

Any adverse desk review findings will be considered during the annual risk assessment, with adjustments made to risk classification ratings as necessary. Findings will also be communicated to SAM, the USMC, and other parties as relevant and applicable.

## **C. Ongoing Compliance Review of Invoices**

Subaward invoices will be reviewed by the Controller's Office Compliance Team for compliance as they are received for processing. Each invoice will be reviewed to ensure:

- i. Submission occurred using the required [Subaward Invoice Payment Request Form](#), all required fields are complete (e.g., identifiable information, certification, etc.), and any required supporting documentation is included.
- ii. The invoice is in an appropriate format and includes all required information (e.g., service dates, budget categories, current and cumulative columns, etc.).
- iii. Service period dates are captured under a fully executed subaward agreement or amendment.
- iv. The charges (e.g., budget categories) align with the budget included in the subaward agreement.
- v. Indirect costs are charged in accordance with the rate included in the subaward agreement and in ratio to the invoice.
- vi. The respective Purchase Order has sufficient funding to cover the invoice.

- vii. Submission occurred in a timely manner in accordance with the terms and conditions of the subaward agreement.

Prior to submitting an invoice to Accounts Payable for processing, the Controller's Office Compliance Team will work with subrecipient contacts and other applicable parties to request corrections and/or clarifications as needed.

An invoice will not be processed for payment until the voucher has been approved by all required parties in PeopleSoft Finance. Required approvers include the Controller's Office Compliance Team, the Principal Investigator, Project Approver 1s (where applicable), and one Department Approver 2.

#### **D. USMC Facilitation**

The Controller's Office Compliance Team is responsible for the overall administration of the USMC, including the following tasks:

- i. Designating Committee members,
- ii. Scheduling meetings,
- iii. Preparing meeting agendas,
- iv. Disseminating and discussing the annual risk classification ratings assigned to each subrecipient; and
- v. Retaining and maintaining records and related documents.

#### **E. Resources and Forms**

Resources, applicable training, and guides can be found on the Controller's Office website under the following sections:

- Compliance and Tax Management → Compliance Management → Subrecipient Monitoring

#### **History of Revisions:**

<b>DATE OF REVISION</b>	<b>REASON FOR REVISION</b>
July 1, 2022	New Procedure
August 1, 2025	Language, formatting, and content updates from comprehensive policy and procedure update project; Added History of Revisions chart