UNIVERSITY OF THE VIRGIN ISLANDS
BOARD FINANCE AND BUDGET COMMITTEE

Sub-recipient Monitoring Policy

University of the Virgin Islands
Policy Title: Sub-recipient Monitoring Policy
Policy No: 05052016-01
Board Approval Date: March 5, 2016
Policy Effective Date: March 5, 2016
Policy Revision Date: ---

SCOPE

As a sub-recipient of federal sponsored awards, the University of the Virgin Islands (UVI) must comply with the guidelines outlined in 0MB Uniform Grant Guidance (UG). This policy applies to all sub-awards issued under sponsored projects awarded to UVI without regard to the primary source of funding.

This policy does not apply to consultant agreements or procurement of services from vendors. Policies and procedures regarding those agreements are covered under UVI 2012 Financial Policies.

POLICY STATEMENT

UVI is responsible for financial and programmatic monitoring of sponsored project funds awarded to UVI that are subcontracted to another institution or organization (sub-recipient). To provide the monitoring required by federal regulations and to ensure good stewardship of sponsored projects, UVI will use reporting, site visits, regular contact, or other means to provide reasonable assurance that the sub-recipient administers awards in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved.

This policy applies to all sub-awards issued under all sponsored projects awarded to UVI.

POLICY OBJECTIVES

- Advises and provides sub-recipients copies of federal laws or regulations, terms and conditions of the prime award or agreement, and UVI requirements that apply to the sub-award or subcontract.
- Provides sub-recipients with information regarding the prime award including the Catalog of Federal Domestic Assistance (CFDA) number, title, award name and number, award dates, and funding agency, as required by 0MB UG.
- Monitors costs and activities of sub-recipients to ensure expenditures charged to UVI are consistent with the budget and scope of work of the sub-award or subcontract.

- Ensures that the performance goals set forth in the scope of work are being met in a timely manner.
- Ensures that sub-recipients expending $750,000 or more in federal awards during the sub-recipient's fiscal year have met the 0MB UG audit requirements for that fiscal year.
- Considers whether sub-recipient's audit findings necessitate adjustment of UVI's records, such as budget modifications or reallocation of resources, a demand for repayment from the sub-recipient, or other remedial measures.
- Requires each sub-recipient to permit the sponsor and/or UVI and its auditors to have access to the sub-recipient's pertinent records and financial statement, as necessary.

DEFINITIONS

Award

An award is financial assistance in the form of a grant or contract with a defined scope of work that provides support or stimulation to accomplish a public purpose.

Co-Principal Investigator (Co-PI)

An individual involved with the principal investigator in the scientific development or execution of a project. A co-investigator typically devotes a specified percentage of time to the project and is considered "key personnel." The designation of a co-investigator, if applicable, does not affect the principal investigator's roles and responsibilities as specified in this policy statement.

0MB Uniform Guidance (UG)

A government pronouncement that was established to set forth the standards of consistency and uniformity among federal agencies for the audit of states, local governments, and non-profit organizations.

Pass-Through Entity

A pass-through entity is a non-federal entity that provides an award of federal funds to a sub-recipient to carry out the programmatic activities of a sponsored project.

Principal Investigator (PI)

An individual designated by the recipient (UVI) to direct the project or program being supported by the grant. He or she is responsible and accountable to recipient organization (UVI) officials for the proper conduct of the project or program. The organization (UVI) is, in turn, legally responsible and accountable to the

Sponsor/Grantor for the performance and financial aspects of the grant-supported activity.

Sub-award

A sub-award is an award of financial assistance from a prime awardee to a qualified organization, for the performance of a substantive portion of the programmatic effort under a sponsored project.

Sub-recipient

A sub-recipient is a legal entity to which a sub-award is made and which is accountable to the recipient for the use of the funds provided to carry out a portion of the programmatic effort under a sponsored project. It may include institutions of higher education, for-profit corporations and foreign or international organizations. Sub-recipients should not be individuals.

Sub-recipient Monitoring (Pre-Award, Post-Award)

Sub-recipient monitoring includes the oversight activities performed by a pnme recipient that provide reasonable assurance that sub-awards made are being administered in compliance with applicable laws, regulations, and the provisions of the grant or contract agreement.

STAGES OF SUB-RECIPIENT MONITORING

- Initial Award Stage

  The initial award stage includes proposal through award setup. The goal of sub-recipient monitoring efforts at this stage is to ensure that the sub-recipient 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 sub-recipient (See Attached Risk Assessment Form). This step is especially helpful for sub-recipients with whom UVI has had no previous experience.

Reliability

Past performance of a sub-recipient and financial reliability are factors to review when issuing the sub-award. For new sub-recipients with no prior history, additional monitoring may be required. Verification should be conducted with federal databases to ensure sub-recipient is not debarred or

suspended and is not listed on the "Excluded Parties List Server (EPLS)". Federal guidelines prohibit the use of any sub-recipients that are debarred, suspended, or listed on the EPLS.

The reason that risk assessments are done in the pre-award stage 1s to maintain compliance and to eliminate future potential problems.

Indicators of Potential High-Risk

- Program Complexity
- Dollar value of the award
- History of non-compliance
- New personnel or systems

Identifying Risk

Utilize the Federal Audit Clearinghouse for 0MB UG. (http://harvester.census.gov/facweb)

For Non-UG Entities, consider requesting completion of an Audit questionnaire. Request a copy of the most recent financial statements.

High Risk

- Sub-recipient has audit findings
- Audit findings relate to the sub-award with the sub-recipient
- If there are findings, review 0MB UG audit report for detail of findings and corrective action plan
- Late Technical, Financial Reports

In order to consider a "high-risk" sub-recipient, the PI, Co-PI, or Office of Sponsored Programs (OSP) must obtain written approval from the grantor agency.

► Ongoing Monitoring

Frequent communication, by letter or email, between the PI, Co-PI, academic department staff, research administrators, OSP staff, the Accounting Department and the sub-recipient institution is essential to ensure a compliant and successful collaboration.

ROLES AND RESPONSIBILITIES

Principal Investigator (Pl/Co-PD

1. Monitors periodic progress reports submitted by the sub-recipient in a timely manner. Non-compliance with technical reporting requirements or dissatisfaction with the level of sub-recipient progress should be reported immediately to the OSP. Any unusual or unforeseen items should be investigated and related documentation should be retained in the department's files for ready access by regulators. In some cases, sub-award terms may require specified deliverables in addition to, or in lieu of, technical reports. In cases of non-compliance, a site visit may be required. Site visits must be documented whether findings are discovered or not.

2. Reviews invoices from the sub-recipients periodically for compliance with the terms of the contract or agreement. Invoices should be examined to ensure that they are reflective of progress. The PI or Co-PI should initial and date the Accounting Department's certification letter denoting approval for payment. Once approved by the PI or Co-PI, the department administrators will initiate the request for payment of the invoice utilizing the university's established process. Evidence of the regular review of invoices by both the Pl/Co-PI and the department administrator should be retained on file. NOTE: Pl/Co-PI cannot process the final invoice until all required reports and documents have been received from the sub-recipient.

3. Compares sub-recipient invoices to the established sub-award budgets. Request clarification of invoiced charges for any unusual, miscellaneous, apparently excessive or other charges invoiced by the sub-recipient. If the explanations are not sufficient to render a prudent judgment on the justification of the cost, and the terms of the sub-contract permit, the Pl/Co-PI may request detailed justifications from the sub-recipient. The Pl/Co-PI may also periodically request, if the terms of the sub-contract permit, particularly from high-risk sub-recipients, detailed support for selected invoiced charges to verify their appropriateness and reasonableness. Examples of detailed justifications that may be requested from sub-recipients include:

    a. Payroll records or data.
    b. Description of services rendered by consultants including hourly rates and time reports.
    c. Details of incurred travel charges, stating the purpose, airfare, meals, ground transportation, unallowable costs, etc.
    d. Costs determined to be unallowable or unreasonable should be disallowed.

e. A definitive audit of all or a portion of questionable costs. In such cases, the department may contact the Controller's Office for coordination of subsequent actions with the appropriate sub-recipient administrative office.
f. A detailed evaluation of both compliance with the scientific objectives of the project and the appropriateness of the sub-recipient's administrative systems, processes, and charges. This evaluation should be documented via correspondence, meeting notes, trip reports, etc. and kept on file.
g. Notification to OSP, by e-mail or letter, that the terms of the sub-award have been met and final payment has processed.

4. Assures that reports and other material requested from sub-recipients have been collected prior to payment of invoices. Monitor the sub-recipient's progress and determine that payments are in line with the progress and the terms of the contract. Review the sub-recipient's invoice, and if acceptable, sign and date the certification letter and forward it to the Controller's Office for payment.

5. Provides appropriate assurance that required documents and material have been collected and approved as per University/outside agency requirements.
6. Ensures that payment be withheld until a satisfactory explanation is received for questionable costs which differ materially from the approved budget or which appear unusual or unallowable.

7. Monitors sub-recipient activity to assure that invoices and progress reports are submitted in a timely manner.

8. Ensures that the work performed/expenses included on the sub-recipient's invoice have been performed in accordance with the terms and conditions of the sub-award agreement.

9. Informs sub-recipients that the PI/Co-PI or designee is the primary contact for questions, concerns, or technical assistance.

Office of Sponsored Programs (OSP)

1. Recommend for approval and issue sub-agreements to outside institutions based upon receipt of a formal sub-recipient agreement request from the UVI departments or Principal Investigators.

2. Notify sub-recipients of requirements imposed on them by federal laws, regulations, and the provisions of contracts and grant agreements as well as any supplemental requirements imposed by UVI by issuance of a formal sub-recipient agreement referencing appropriate pass-through terms and conditions. OSP shall also attach all appropriate documentation and information to the sub-agreement.

3. Ensure that all federal pass-through sub-contracts include appropriate debarment language requiring the sub-recipient to assure that the PI/Co-PI, principals on the project, and institution are not debarred from receiving federal funds.

4. Monitor sub-recipients by performing an annual review of the federal audit clearinghouse (FAC) for those institutions receiving $750,000 or more per year in federal funds, and setting up proper monitoring procedures for those institutions determined to be non-low risk institutions. Alternatively, OSP staff may view the sub-recipient's 0MB UG report in the FAC database (http://harvester.census.gov/facweb). This website provides evidence to verify that the sub-recipient has completed an 0MB UG Audit and to assess the presence of audit findings. The FAC verification could be done in lieu of reviewing 0MB UG reports submitted by the sub-recipient to UVI.
5. Collect proper audit or questionnaire material from foreign sub-recipients or from domestic institutions receiving less than $750,000/year in federal funds, and review material received for risk management assessment and setup of proper monitoring of funds.

6. Ensure that all assurances are made a part of the sub-contract.

7. Require each sub-recipient to permit UVI and its auditors to have access to the records and financial statements as necessary to ensure that the sub-recipient is in compliance with 0MB UG.

8. OSP should conduct monthly sample reviews of invoices, with the PI/Co-PI, for applicability and compliance with the following grant requirements:

    a. The requested payment falls within the sub-award dates.
    b. The current invoice amount is added to the cumulative amount invoiced, and matched against the total amount authorized in the sub-award.
    c. If either the dates or amounts are inconsistent with the sub-award, OSP staff should discuss the invoice with the Controller's Office staff to determine the need for changes to the invoice or sub-award.
    d. Invoicing that is significantly behind in timing or in amounts, based upon the sub-award terms, must be referred to the PI/Co-PI and the

Controller's Office for consultation on acceptable performance by the sub-recipient institution.

Controller's Office

1. Review and approve for payment all sub-recipient invoices after PI/Co-PI and department review and approval of each invoice has been performed.

2. Ensure accurate and timely payment of all invoices. Invoices are reviewed to assure that the invoice number is correct, and the amount invoiced is within the approved total cost of the sub-recipient agreement. No sub-contract is to be approved which is greater than the amount approved on the agreement itself unless there is an approved documented change in the agreement.

3. Reconcile sub-recipient's budget to actual expenditures.

4. Controller and OSP shall collaborate to conduct periodic on-site visits of sub-recipients to examine financial and programmatic records and to review operations in an effort to assess compliance with the agreement. Controller and OSP shall collaborate on financial and programmatic review results.

5. Coordination with Pis/OSP to assure that proper financial close-out procedures have been followed. Close-out procedures should include proper documentation of mandatory cost-sharing, collection of satisfactory progress and financial reports, and receipt of an invoice marked as "final." Depending upon federal requirements, collection of equipment close-out reports or other material may be required. Accounting Department shall notify OSP when a grant/project closeout is planned and provide written notification to OSP to closeout the grant file.