



Policy Number and Title:	200.205 SUBRECIPIENT MONITORING POLICY		
Approval Authority:	President	Date Effective:	January 16, 2019
Responsible Office:	Accounting	Responsible Office Contact:	Vice President for Business and Finance

1. **POLICY STATEMENT/REASON FOR POLICY**

As a recipient of federal awards, Bay Mills Community College (BMCC) is responsible for monitoring the programmatic and financial activities of its subrecipients to ensure proper stewardship of grantor funds in accordance with the rules and regulations as set forth by grantor agencies, the Office of Management and Budget (OMB), and College policy.

OMB Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (2 CFR 200) (“Uniform Guidance”), specifically §200.331, requires pass-through entities to evaluate each subrecipient’s risk of noncompliance in order to determine the appropriate monitoring level, monitor the activities of subrecipient organizations to ensure that the subaward is in compliance with applicable Federal statutes and regulations and terms of the subaward, and verify that subrecipients are audited as required by Subpart F of the Uniform Guidance.

2. **ENTITIES AFFECTED BY THIS POLICY**

All Departments that have grants and contracts with subawards.

3. **WHO SHOULD READ THIS POLICY**

All Principal Investigators, Project Directors, and BMCC administrators, who are involved with the administration and conduct of grants and contracts that issue and manage subawards.

4. **WEB SITE ADDRESS FOR THIS POLICY**

-This policy can be found at:

[-https://www.bmcc.edu/about-bmcc/governance-administration/college-policies](https://www.bmcc.edu/about-bmcc/governance-administration/college-policies)

5. **FORMS/INSTRUCTIONS**

Subrecipient Risk Assessment Worksheet

6. **HISTORY**

Created: 01/16/2019; Next Review Date: January 16, 2022.

7. THE POLICY

BAY MILLS COMMUNITY COLLEGE SUBRECIPIENT MONITORING POLICY

POLICY STATEMENT

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PURPOSE

The purpose of this policy is to establish subrecipient risk assessment and monitoring procedures to ensure proper stewardship of grantor funds and comply with applicable federal laws and regulations.

POLICY PROCEDURES AND REQUIREMENTS

I. Definition of Key Terms

- A. Contractor (Vendor) - An organization or individual that provides goods and services within normal business operations. Contractors/Vendors may provide similar goods and services to many different purchasers, operate in a competitive environment, and provide goods or services that are ancillary to the operation of the federal grant.
- B. Pass-Through Entity - The non-federal entity that provides a subaward to a subrecipient to carry out the program; sometimes referred to as the “prime” or “lead” organization.
- C. Prime Recipient - The direct recipient of a federal award.
- D. Principal Investigator/Program Director (PI) (PD) - A member of the College’s faculty/staff who is responsible for the overall design, conduct, reporting and management of a grant or contract. The PI or PD is the person who is most familiar with the subawardee’s performance.
- E. Federal Award - A funding instrument issued by a federal agency with terms and conditions in which the College agrees to provide a return benefit or agrees to provide a defined deliverable(s) in exchange for funds. The funding

instrument may be a grant, contract, cooperative agreement, or similar document.

- F. Subaward - Enforceable agreement, issued by the direct recipient of a federal award to a subrecipient for the performance of a substantive portion of the program. These terms do not apply to the procurement of goods or services from a contractor.
- G. Subrecipient (Subawardee) - A non-federal entity that receives a subaward from a pass-through entity to carry out part of a federal program; but does not include an individual that is a beneficiary of such program. Subrecipients are responsible for performing a substantive portion of the program, as opposed to providing goods and services.
- H. Pre-Award Subrecipient Review – Those activities undertaken prior to officially subcontracting with a third-party organization. Such activities may include reviewing organizational, financial or other information to identify potential risks.
- I. Post-Award Subrecipient Monitoring – Day-to-day activities undertaken to monitor billings and the technical performance of a subaward.

II. Federal Requirements for Pass-Through Entities (§200.331)

A. Subaward Agreement

Ensure that every subaward is clearly identified to the subrecipient as a subaward and includes the following information:

- 1) Federal Award Identification
 - a. Subrecipient name (must match the registered name in DUNS)
 - b. Subrecipient DUNS number
 - c. Federal Award Identification Number (FAIN)
 - d. Federal award date
 - e. Subaward period of performance start and end date
 - f. Amount of federal funds obligated by this action
 - g. Total amount of the federal award
 - h. Federal award project description
 - i. Name of federal awarding agency
 - j. Name of pass-through entity (Bay Mills Community College)
 - k. Contact information for awarding official
 - l. CFDA number and name
 - m. Identification of whether the award is R&D
 - n. Indirect cost rate for federal award

- 2) Requirements imposed on the subrecipient to ensure that the Federal award is used in accordance with Federal statutes, regulations, and the terms and conditions of the Federal award.
- 3) Any additional requirements imposed on the subrecipient.
- 4) The subrecipient's federally-negotiated indirect cost rate agreement, if indirect costs are allowable.
- 5) A requirement that the subrecipient permit BMCC auditors access to the subrecipient's records and financial statements as necessary for all audit requirements.
- 6) Appropriate terms and conditions concerning the closeout of the subaward.

B. Subrecipient Risk Evaluation

Evaluate each subrecipient's risk for noncompliance to determine appropriate monitoring procedures. Some of the risk factors include:

- 1) The subrecipient's prior experience with the same or similar subawards;
- 2) The results of previous audit(s), including whether or not the subrecipient receives a Single Audit, and the extent to which the program or a similar program has been audited as a major program;
- 3) Whether the subrecipient has new personnel or new or substantially changed systems; and
- 4) The extent and results of federal awarding agency monitoring, if the subrecipient also receives other direct federal awards from the federal awarding agency.

C. Consider specific subaward conditions as appropriate.

D. Subrecipient Risk Monitoring

Monitor activities as necessary to ensure compliance with federal regulations:

- 1) Review financial and programmatic reports.
- 2) Follow up on audit findings to ensure timely and appropriate action.
- 3) Issue a management decision for audit findings.

E. Audit Requirements (§ 200.501)

Ensure that each subrecipient is audited as required by Subpart F – Audit Requirements.

F. Evaluation of Results and Noncompliance (§ 200.338)

- 1) Consider whether the results of the subrecipient's audits, on-site reviews, or other monitoring indicate conditions that necessitate adjustments to the pass-through entity's own records.

- 2) Consider taking enforcement action for noncompliance.

III. Subrecipient Risk Assessment and Monitoring

The level of BMCC oversight varies by subrecipient and/or subaward, depending on the relative risk of noncompliance and nonperformance that each subrecipient or agreement presents. BMCC subrecipient monitoring procedures include an annual risk assessment of each subrecipient with a current subaward and an annual debarment verification.

A. Risk Assessment

BMCC will ensure that a current risk assessment has been conducted PRIOR to subaward execution, as well as on an interim basis. A Subrecipient Risk Assessment Worksheet will be used to establish the subrecipients risk level and will classify each risk as high, medium, or low.

- 1) Management of high risk subrecipients typically will include a requirement in cost reimbursement subawards that the subrecipients provide a copy of all receipts prior to payment, and may involve site visits by the PI/PD and/or other financial personnel.
- 2) Management of medium risk subrecipients will involve discussion with the PI/PD to identify additional terms or conditions that address compliance issues and require more frequent monitoring.
- 3) Management of low risk subrecipients may include a requirement in a cost reimbursement subaward that they provide documentation/receipt copies upon BMCC's request.

B. Suspension and Debarment

Federal grant regulations prohibit prime recipients from contracting with or making subawards to parties suspended or debarred from doing business with the federal government. The Accounting Department will verify that the subrecipient is not debarred by checking for an exclusion in the System for Award Management (SAM) prior to subaward execution and continue to monitor the status on an interim basis.

C. Audited Financial Statements

The Uniform Guidance (2 CFR 200.501) requires that a non-federal entity which expends \$750,000 or more of Federal funds in a year shall have a single audit conducted for that year. The Accounting Department is responsible for conducting a review of the audited financial statements and any findings, material weaknesses, or significant deficiencies will be considered as part of the risk assessment. If no audit is required, BMCC will review other financial documentation provided as part of the risk assessment.

D. Document Retention

Retention of the risk assessment, financial statements, suspension and debarment, and other documentation pertaining to risk will be maintained by the Accounting Department and held in the grant file for the time period specified in BMCC Policy 100.105-BMCC Records Retention Schedule.

IV. Subrecipient Monitoring Procedures

A. Pre-Award Subrecipient Review/Risk Assessment

- 1) Before executing a subrecipient agreement, the College will conduct an assessment to identify risk. A subrecipient risk assessment may consider several factors, including but not limited to:
 - a. whether the potential subrecipient is subject to a Single Audit or other federal financial review;
 - b. degree of external oversight by auditors or sponsor agencies;
 - c. evidence of effective financial controls within the subrecipient's systems and administrative operations through review of the organization's audit reports, management letter, or other acceptable documentation;
 - d. size of the subrecipient award;
 - As a guideline, large awards may receive substantial and frequent monitoring; midsized awards may receive proportionately less substantial and less frequent monitoring; smaller awards may receive general review and less frequent oversight.
 - e. award complexity, sensitivity of the work, and/or extensiveness of the governing regulations;
 - f. prior experience with the subrecipient;
 - g. subrecipient location (i.e., remoteness from the College might require more oversight);
 - h. type of subrecipient organization (foreign, domestics, nonprofit, for profit); and
 - i. organizational and individual conflict of interest.

The Subrecipient Risk Assessment Worksheet will be completed by the Grant Accountant and reviewed by the Vice President for Business and Finance and PI/PD to formally document the level of risk.

- 2) The Grant Accountant will confirm that the subrecipient is not listed on the Excluded Parties List System and retain the documentation in the grant file.
- 3) The audited financial statements, including the Single Audit (if required), or other financial statements (if no annual audit) will be reviewed by the Grant Accountant to gather information and documentation on the potential subrecipient's organization, financial stability, and financial processes and controls.

Where the risk assessment reveals a high potential for financial risk, a proposed risk mitigation strategy will be developed by the PI/PD, Vice President for Business and Finance, and Grant Accountant before proceeding with establishment of the subaward. The frequency of monitoring will be determined based upon the level of risk.

B. Negotiating and Executing Subrecipient Relationships

The Subaward Agreement must contain the terms required by the Uniform Guidance, §200.331, which are described in Section II. Part A. of this policy. The Subaward Agreement will generally include the following, as appropriate:

- 1) terms that specifically address the implementation of any appropriate and necessary risk mitigation strategies;
- 2) for subrecipients subject to a Single Audit, a requirement to report any problem related to the subaward identified in their annual audits and to submit corrective action plans for review by the College;
- 3) mandatory flow-down provisions from the prime award, such as the requirements of certain federal laws and regulations as applicable;
- 4) financial terms and conditions including but not limited to: fixed price or cost, term and termination, billing requirements, and payment terms;
- 5) ownership of intellectual property and data;
- 6) a requirement to permit the grantor and the College and their auditors to have access to records and financial statements as necessary for the College to conduct a review if deemed appropriate and to cooperate with the College in resolving problems;
- 7) terms indicating that subrecipient submission of an invoice constitutes certification that the items included on the invoice represent reasonable, allocable, and allowable costs associated with performing the project defined in the agreement;
- 8) for federal awards, each subrecipient will be informed of the Catalog of Federal Domestic Assistance ("CFDA") title and number, award (name,

number, and year), and the name of the federal agency sponsoring the award.

C. Post-Award Subrecipient Monitoring

1) Department Monitoring of Ongoing Activities

BMCC has the responsibility, on an ongoing basis throughout the life of the award, to monitor the activities of subrecipients in accordance with the governing agreement, to assure that awarded funds are used for authorized purposes in compliance with the provisions of the agreement, and to ensure that performance goals are achieved.

The responsible Principal Investigator (PI)/Project Director (PD) should determine the frequency and scope of departmental monitoring procedures. A “risk-based” approach to subrecipient monitoring is recommended with the frequency and intensity of monitoring driven by the terms of the grant award and the criteria identified in Section IV. Part A. - Pre-Award Subrecipient Review.

2) Progress Monitoring, Technical Reports, and Deliverables

Principal Investigators/Project Directors are responsible for monitoring the progress of subrecipient work scope, using a variety of means to make this determination. Such review should generally take place at least quarterly. The PI/PD might receive informal progress reports via phone conversations, e-mail communications, face-to-face discussions, or more formal technical reports or other deliverables may be required and due on specific dates. If formal technical reports are required, a copy **MUST** be provided to the Accounting Department for the grant file.

Subrecipient invoices must be submitted to the PI/PD and contain a minimum level of information, including but not limited to:

- name of subrecipient;
- date of invoice;
- invoice number;
- period of performance covered by invoice;
- description of services reflected by billings (e.g., major expenditure categories);
- current period costs, including cost sharing (in sufficient detail to enable comparison to project budget);
- cumulative project costs, including cost sharing, as compared to the project budget;
- certification on each invoice as to the truth and accuracy of the invoice.

The PI/PD's signature on the invoice indicates that review has taken place and that the invoice adheres to the budget.

3) Resolving Invoice Issues

If, after review of the invoice, a concern with subrecipient performance is identified, the PI/PD should request clarification from the subrecipient. If the PI/PD identifies any unusual, miscellaneous, apparently excessive, or potentially unallowable charges invoiced by a subrecipient, and if the explanations from the subrecipient are insufficient to render a prudent judgment on the allowability of the cost, the PI/PD shall refer the matter to the Vice President for Business and Finance for resolution with the subrecipient's institutional authorities. When the Vice President for Business and Finance is satisfied that the issues are resolved, he/she will notify the PI/PD to proceed with approval for payment. Invoices should not be approved for payment until all issues or concerns have been resolved.

4) Accounting Department Monitoring of Ongoing Activities

The Grant Accountant will review all subrecipient invoices submitted for payment. The review will, at a minimum, include:

- appropriate invoice format and level of detail;
- signature of the PI/PD;
- certification or signature by authorized subrecipient representatives.

The Grant Accountant will discuss invoices that appear to be unreasonable, unallowable, or unallocable with the Vice President for Business and Finance. If the Vice President for Business and Finance denies payment of the invoice, the PI/PD will be notified of the reason for disallowance and will need to contact the subrecipient organization to request an explanation or revised invoice.

D. Annual Subrecipient Monitoring

At least annually, the Grant Accountant will perform the following:

- 1) Check for suspension and debarment;
- 2) Complete the Subrecipient Risk Assessment Worksheet in consultation with the Vice President for Business and Finance and PI/PD;
- 3) Review the Audited Financial Statements and Single Audit, if required, and follow up on any findings, material weaknesses, significant deficiencies, or other concerns. If no audit is required, other financial documentation will be obtained, such as review of the internal controls, policies, processes, and annual and quarterly financial statements.

The Grant Accountant will collaborate with the Vice President for Business and Finance, PI/PD, and General Counsel (as appropriate) to determine whether corrective action is required.

E. Closeout of Subrecipient Awards

The Grant Accountant, in collaboration with the PI/PD, should begin subaward closeout actions immediately following conclusion of the subaward period of performance. Where possible, subrecipient awards should be processed for closeout and formally closed within a 60-day time period. A subrecipient award may not be formally closed until all of the applicable closeout requirements have been accomplished.

Subrecipient award closeout requirements must include:

- 1) Receipt of final invoice;
- 2) Collection of all required deliverables (e.g., technical/progress reports, equipment reports, etc.) to be provided by the subrecipient and final verification of technical completion by the PI, indicated by the PI's signature and date on the final invoice;
- 3) Completion of any necessary final review of costs charged to the College by the subrecipient and final closeout of all commitments, accrued costs, or payables.

The requirements of the prime award, under which a subrecipient award is issued, will be considered during the closeout process. In general, a subaward is closed when it has expired and/or when final technical deliverables are received and financial matters are concluded.

Contact(s): Vice President for Business and Finance

Related Form(s)

- Subrecipient Risk Assessment Worksheet

References

§§ 200.331 Requirements for Pass-Through Entities, 200.501 Audit Requirements, 200.338 Remedies for Noncompliance (Federal Register, Vol.78, No. 248/Thursday, Dec. 26, 2013/Rules and Regulations)

Relevant Policy or Procedure(s): None

Approved by: President

Date: Effective January 16, 2019