

Subawards: Sense and Sensibility

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Housekeeping: Q&A

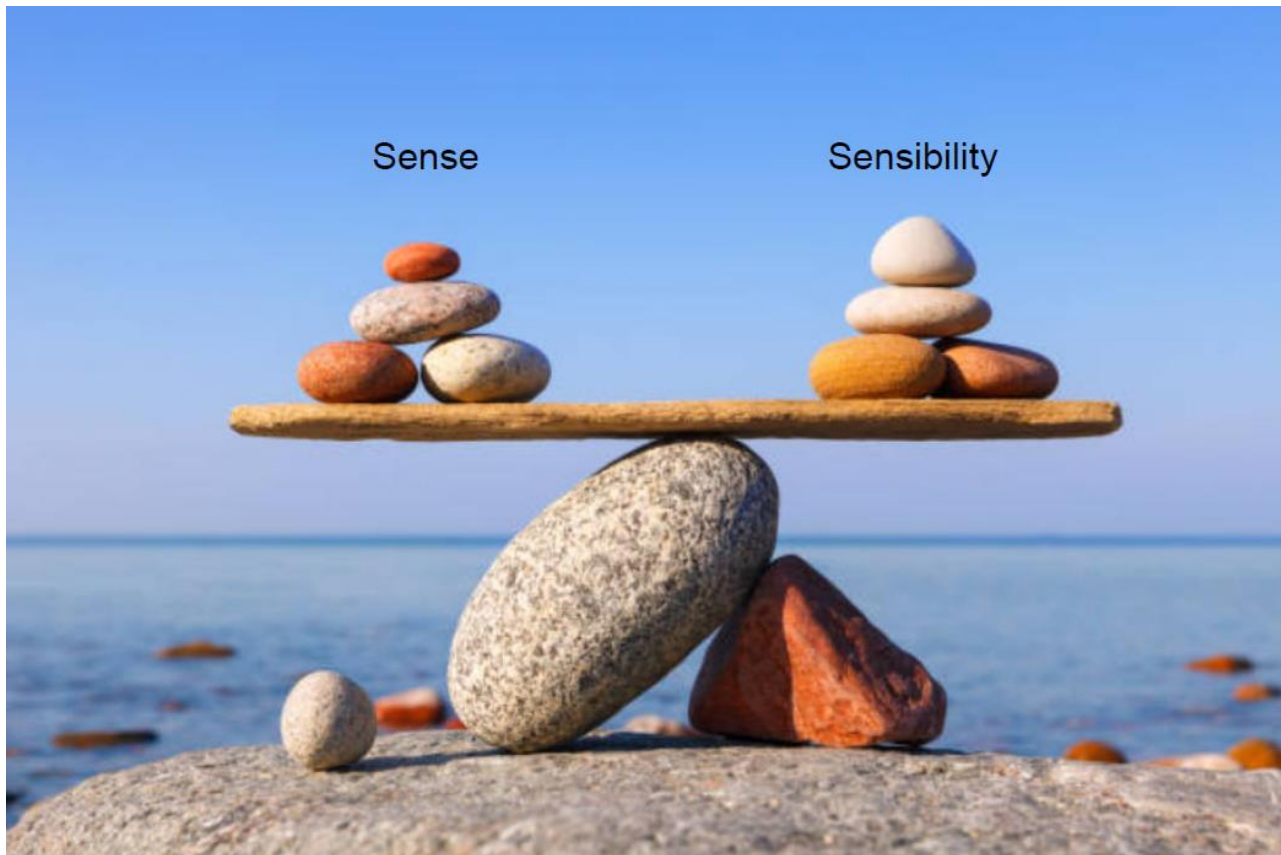


Learning Objectives

Participants will:

1. Learn the Uniform Guidance requirements related to subwards
2. Discover the standard monitoring practices throughout the subaward lifecycle
3. Investigate tools, tricks and best practices for maintaining a balanced approach to compliance and collaboration

The Fulcrum



Picture without text found at
<https://www.istockphoto.com/photos/balance>

Why Subrecipient Monitoring: The Sense

Privity of contract

2 CFR 200.331-333



Picture found at:
<https://www.vox.com/culture/2017/7/15/15955872/movie-of-week-sense-sensibility-jane-austen>

Why Subrecipient Monitoring: The Sensibility

Network of organizations
both issuing and receiving
subawards, supporting a
community of collaborative
research

Risk-based approach



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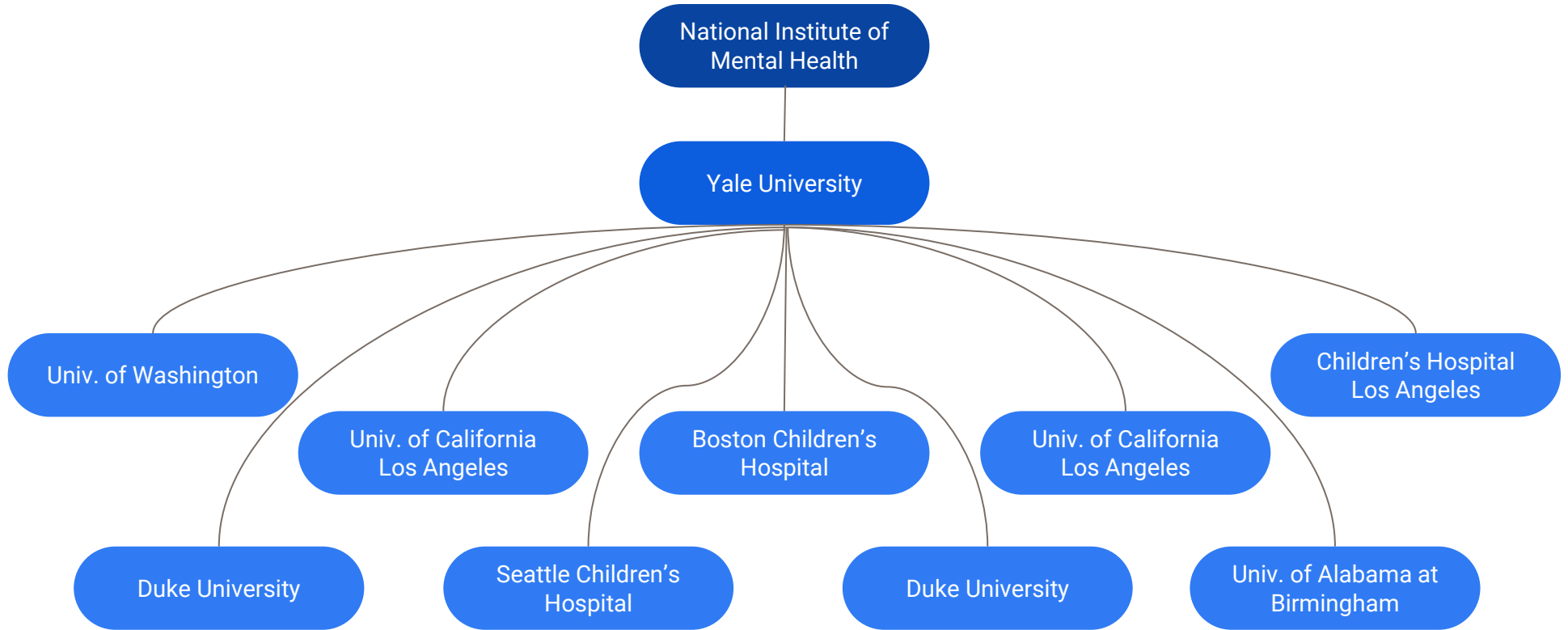
Sense and Sensibility: Pre-award Considerations

Definitions... the start of it all

Pass-through Entity (PTE)	Recipient that provides a subaward to a subrecipient
Subaward	Award to carry out part of a Federal award
Subrecipient	Entity that receives a subaward
Contract (Vendor Agreement)	Agreement used to purchase property or services
Contractor (Vendor)	Entity that receives a contract

Found at: <https://www.ecfr.gov/current/title-2/subtitle-A/chapter-II/part-200/subpart-A/subject-group-ECFR2a6a0087862fd2c/section-200.1>

The Autism Biomarkers Consortium for Clinical Trials



Subrecipient vs. Contractor

Subrecipients typically

Have performance measured against Federal program objectives

Have programmatic decision-making autonomy

Will be able to publish findings from the project independently

Contractors typically

Provide goods or services ancillary to the project

Provide goods and services within normal business operations and to many different purchasers

Normally operate in a competitive environment

Judgment



In determining whether an agreement between a pass-through entity and another non-Federal entity casts the latter as a subrecipient or a contractor, the substance of the relationship is more important than the form of the agreement.

Why does this matter?

- Budget impact
- Sponsor approval
- Procurement process
- Subrecipient monitoring requirements

Subaward Sea Monsters



By Barry Peters - Flickr, CC BY 2.0,
<https://commons.wikimedia.org/w/index.php?curid=12563716>

Mythical Sea Monsters?



Pre-award: Subrecipient Documentation

Required documents: Depends on PTE
(Sensibility)

Sense:

- Statement of Work
- Budget
- Subrecipient Information Form



Picture found at: <https://www.vox.com/culture/2017/7/15/15955872/movie-of-week-sense-sensibility-jane-austen>

Pre-award Consideration: which payment method?

Cost reimbursable

Suitable when the work to be performed cannot be described in highly quantitative terms or when neither party to the subcontract can estimate its cost with confidence.

Fixed Price

Based on milestones or deliverables. Suitable when the services or goods can be adequately described and later measured in unambiguous terms.

Found at: <https://osp.vt.edu/researchers/award-life-cycle/subawards.html>

Pre-award Sense and Sensibility: Facilities & Administrative Costs

Sense: Budgeting

Sensibility: Level of
confirmation



Picture found at: <https://www.vox.com/culture/2017/7/15/15955872/movie-of-week-sense-sensibility-jane-austen>

Pre-award Sense and Sensibility: Conflict of Interest

Sense: Sponsor
requirements

Sensibility: Level of
confirmation



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Sense and Sensibility: Award Considerations

Award Sense and Sensibility: Data Elements

Unique Entity
Identifier (UEI)



System for
Award
Management
(SAM.gov)



Federal Funding
Accountability
and
Transparency
Act (FFATA)

What is required?
What is best practice?

Risk Assessment Sense

- Pass-through entities must “evaluate each subrecipient’s risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward . . .” (2 CFR 200.332)
- The exact method of risk assessment is left up to the pass-through entity
- Documentation is paramount

Risk Assessment Sensibility: Common Practices

- Risk assessment of non-federal subawards
- Annual risk assessment
- Use of a scored system with thresholds to determine risk pools

Risk Assessment Resources

Resource	Website	Information
Federal Audit Clearinghouse	facweb.census.gov fac.gov (starting Oct. 2023)	Single audit reports for domestic non-profit organizations
USAspending Recipient Profile	usaspending.gov/recipient	Federal funds awarded by agencies and PTEs
System for Award Management	sam.gov	Organization age, type, exclusions, performance data (formerly FAPIIS)
US State Department Travel Advisories	travel.state.gov	Detailed travel advisories by country
Corruptions Perceptions Index	transparency.org	Report on perceived levels of public sector corruption

Limitations

- Initial risk assessments tend to be accurate in general, but not always precise in every individual situation. It is important to leave room for professional judgment.
- Some risks are impossible to know at the start of the project. They only become apparent during the performance.



Primary Risk Factors

- Does the subrecipient not receive a routine audit (the Single Audit) that evaluates their internal controls related to compliance on federal awards?
- Is the subrecipient located outside of the United States?

Risk Mitigation

- Additional terms and conditions, which must be reevaluated and removed per 2 CFR 200.208
- Desk reviews
- Guidance and checklists for subrecipients and PTE administrators
- Site visits and site “visits”

Origins of the Single Audit

BY THE COMPTROLLER GENERAL

Report To The Congress

OF THE UNITED STATES

10,532

**Grant Auditing: A Maze Of
Inconsistency, Gaps, And
Duplication That Needs Overhauling**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?
- Significant deficiency(ies) identified that are not considered to be material weaknesses?

Yes No

Yes None reported

Noncompliance material to financial statements noted?

Yes None reported

Federal Awards

Internal control over major programs:

- Material weakness(es) identified?
- Significant deficiency(ies) identified that are not considered to be material weaknesses?

Yes No

Yes None reported

Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516(a)?

Yes No

Audit Review

PTEs must do the following with subrecipients subject to the single audit:

- Ensure that their single audit is complete, and posted in the Federal Audit Clearinghouse, nine months after the end of their fiscal year
- Review the single audit, looking for findings that involve funding from the PTE
- Issue a management decision when both of the following are true:
 - The subrecipient has findings involving funding from the PTE
 - The findings are not cross-cutting, i.e. they do not involve funding from sources other than the PTE

Serious Findings



2020-005 Breakdown of Overall Internal Control Environment.

Condition and Criteria: During the course of the audit, we noted the documented policies and procedures over cash transfers, credit card purchases, administrative budget, billings and cash drawdowns were not followed.

Persistent Findings

2021-103 Equipment and Real Property Management

The University did not maintain accurate and complete property records for 6 (9 percent) of 64 equipment items tested.

Repeat Finding: 2018-109, 2015-134, 2014-155, 2013-176, 13-161, and 12-170

Financial Questionnaires

- The single audit provides a routine, independent evaluation of an organization's internal controls related to compliance on federal awards
- For organizations not subject to the single audit, PTEs may ask subrecipients about their internal controls directly, using a detailed financial questionnaire
- Organizations subject to the single audit should not be asked to complete financial questionnaires

International Subawards: Added Risks

Not subject to Single Audit (typically)

Different (and added) governing laws and regulations

Language barriers / Cultural norms

Currency conversion

Invoice confusion

Export Controls



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Sense and Sensibility: Post-Award Considerations

Shared Responsibilities

PTEs must monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subaward; and that subaward performance goals are achieved.



Subrecipient Invoicing: Sense

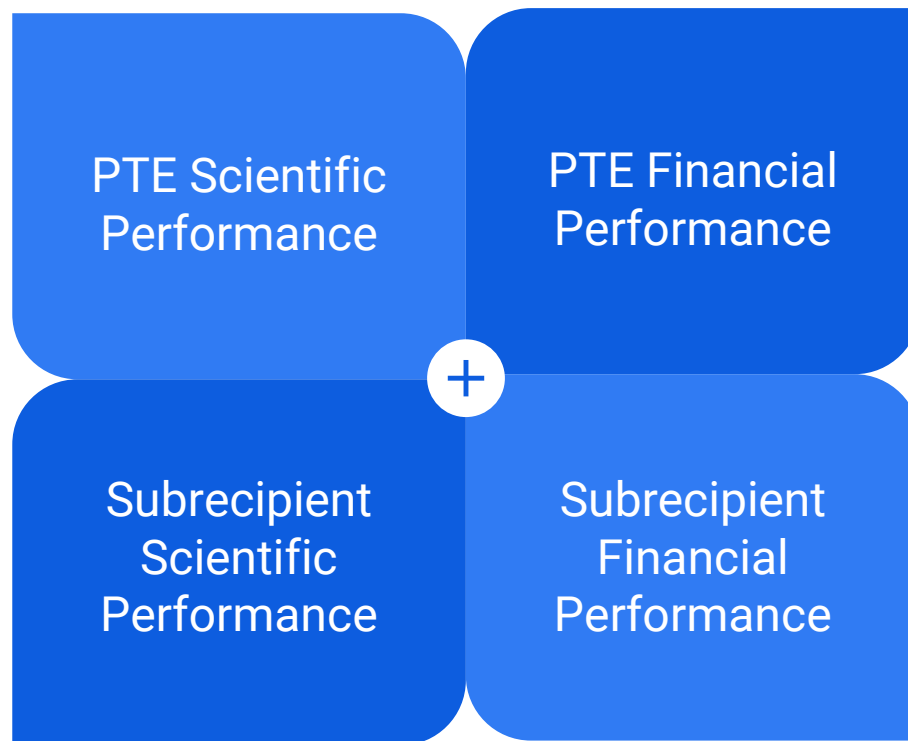
Invoice review is a primary element of oversight for all subawards

The required elements of that review are designed to maintain compliance and avoid unpleasant surprises at the end of the subaward



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Sensibility: keeping everything in sync



The Sense of Invoice Review

Financial Review

- Invoice period
- Statement of current and cumulative costs
- Breakdown of costs by budget category

Approvals

- Certification statement from 2 CFR 200.415 (“By signing this report, I certify”)
- Signature of authorized institutional official
- PI or delegate approval, to confirm programmatic progress

Timing

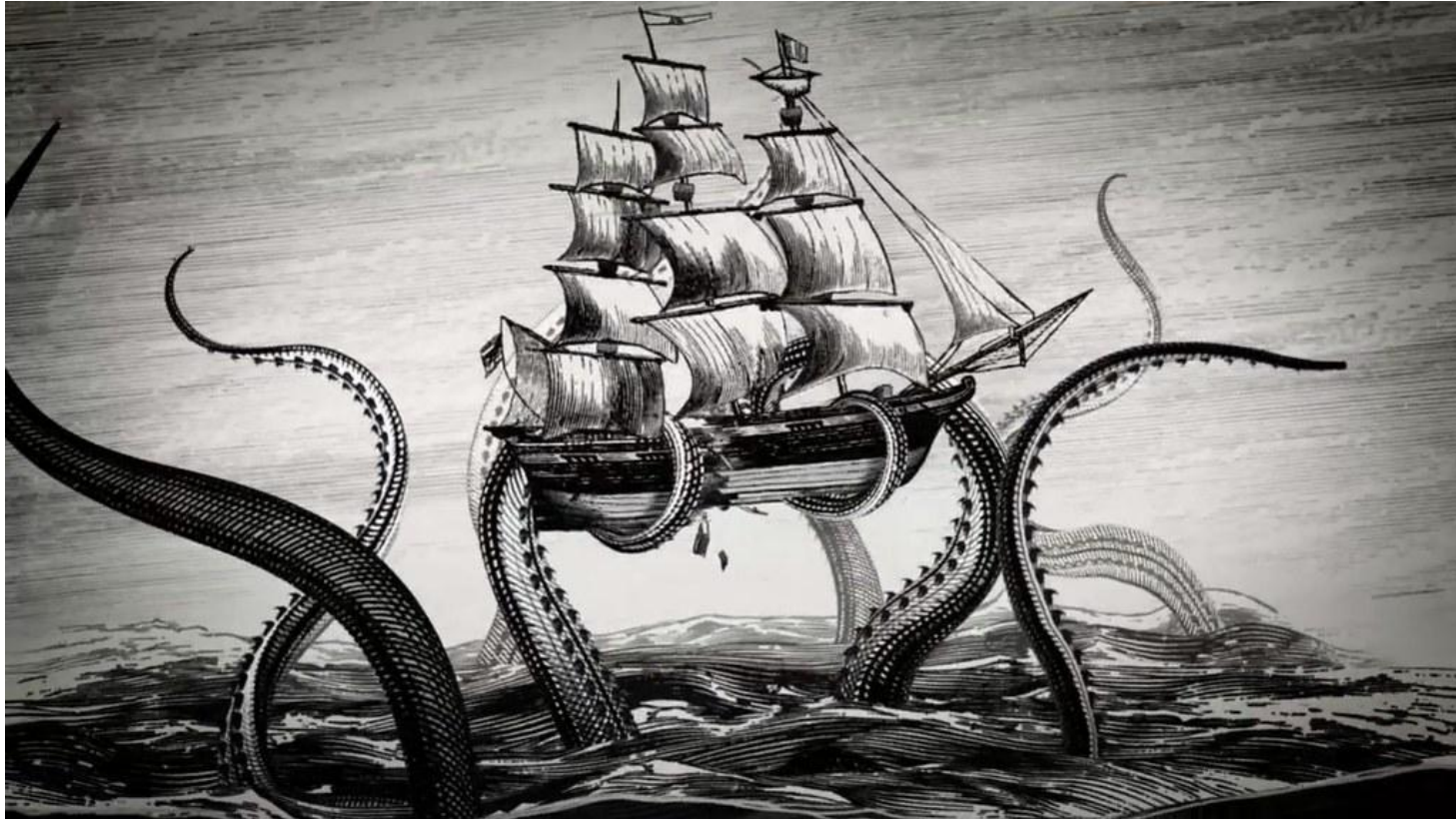
- Invoices should be submitted by the subrecipient in a timely manner
- Payment must be issued with 30 days of receipt of a proper invoice

Underlying Problems

- Advance payments disguised as cost-reimbursable invoices
- Unusually large amounts, or negative amounts, that may indicate cost transfers
- Costs in categories requiring prior approval
- Late invoices outside of contract parameters



Subaward Reporting & Closeout



Additional Resources



2 CFR 200

FDP Agreement Templates

FDP Expanded Clearinghouse

NCURA: YouTube Tuesdays,

N-Mag, Webinars

CITI Training

Code of Federal Regulations (ecfr.gov)

Section	Contents
2 CFR 200.331	Subrecipient and contractor determinations
2 CFR 200.332	Requirement for pass-through entities <ul style="list-style-type: none">● Required Elements● Risk Assessment● Audit Review
2 CFR 200.333	Fixed amount subawards
2 CFR 200.208	Specific Conditions
2 CFR 25.300	Requirement for recipients to ensure subrecipients have a unique entity identifier

Contact



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