Subawards: Sense and Sensibility

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Housekeeping: Q&A
Learning Objectives

Participants will:

1. Learn the Uniform Guidance requirements related to subawards
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

Sense  Sensibility
Why Subrecipient Monitoring: The Sense

Privity of contract

2 CFR 200.331-333
Why Subrecipient Monitoring: The Sensibility

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

Risk-based approach

Picture found at: https://www.vox.com/culture/2017/7/15/15955872/movie-of-week-sense-sensibility-jane-austen
Sense and Sensibility: Pre-award Considerations
Definitions… the start of it all

<table>
<thead>
<tr>
<th>Definition</th>
<th>Description</th>
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</thead>
<tbody>
<tr>
<td>Pass-through Entity (PTE)</td>
<td>Recipient that provides a subaward to a subrecipient</td>
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<tr>
<td>Subaward</td>
<td>Award to carry out part of a Federal award</td>
</tr>
<tr>
<td>Subrecipient</td>
<td>Entity that receives a subaward</td>
</tr>
<tr>
<td>Contract (Vendor Agreement)</td>
<td>Agreement used to purchase property or services</td>
</tr>
<tr>
<td>Contractor (Vendor)</td>
<td>Entity that receives a contract</td>
</tr>
</tbody>
</table>
The Autism Biomarkers Consortium for Clinical Trials

- National Institute of Mental Health
- Yale University
- Univ. of Washington
- Univ. of California Los Angeles
- Boston Children’s Hospital
- Univ. of California Los Angeles
- Duke University
- Seattle Children’s Hospital
- Duke University
- Children’s Hospital Los Angeles
- Univ. of Alabama at Birmingham
# Subrecipient vs. Contractor

<table>
<thead>
<tr>
<th><strong>Subrecipients</strong> typically</th>
<th><strong>Contractors</strong> typically</th>
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<tbody>
<tr>
<td>Have performance measured against Federal program objectives</td>
<td>Provide goods or services ancillary to the project</td>
</tr>
<tr>
<td>Have programmatic decision-making autonomy</td>
<td>Provide goods and services within normal business operations and to many different purchasers</td>
</tr>
<tr>
<td>Will be able to publish findings from the project independently</td>
<td>Normally operate in a competitive environment</td>
</tr>
</tbody>
</table>
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](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

Picture found at: https://www.vox.com/culture/2017/7/15/15955872/movie-of-week-sense-sensibility-jane-austen
Sense and Sensibility: Award Considerations
Award Sense and Sensibility: Data Elements

What is required?
What is best practice?

Unique Entity Identifier (UEI)
System for Award Management (SAM.gov)
Federal Funding Accountability and Transparency Act (FFATA)
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

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

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? Yes No

• Significant deficiency(ies) identified that are not considered to be material weaknesses? Yes None reported

Noncompliance material to financial statements noted?

Yes None reported

Federal Awards

Internal control over major programs:

• Material weakness(es) identified? Yes No

• Significant deficiency(ies) identified that are not considered to be material weaknesses? 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.

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
Sense and Sensibility: Post-Award Considerations

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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.

Picture found at: https://www.vox.com/culture/2017/7/18/15955872/movie-of-the-week-sense-sensibility-jane-austen
Sensibility: keeping everything in sync

- PTE Scientific Performance
- PTE Financial Performance
- Subrecipient Scientific Performance
- Subrecipient Financial Performance
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)

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<td>Subrecipient and contractor determinations</td>
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<td>2 CFR 200.332</td>
<td>Requirement for pass-through entities</td>
</tr>
<tr>
<td></td>
<td>- Required Elements</td>
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<td>- Risk Assessment</td>
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<tr>
<td></td>
<td>- Audit Review</td>
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<td>2 CFR 200.333</td>
<td>Fixed amount subawards</td>
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<tr>
<td>2 CFR 200.208</td>
<td>Specific Conditions</td>
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<tr>
<td>2 CFR 25.300</td>
<td>Requirement for recipients to ensure subrecipients have a unique entity identifier</td>
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## Contact

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<tr>
<th>Name</th>
<th>Position</th>
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