



Accounting and Administrative Manual

Section 100: Accounting and Finance

Subrecipient Monitoring
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General:

The university has responsibilities for the use and reporting of federal funding when it enters into contractual arrangements with government or non-profit subrecipients to carry out a program.

The U.S. Office of Management and Budget (OMB) Circular 2 CFR §200 was used in the preparation of this procedure and is referenced in the text.

This procedure documents the university's system for monitoring subrecipients and includes the following items:

- A. Subrecipient characteristics and identification
- B. Notification of requirements to subrecipients
- C. Monitoring during the award
- D. Monitoring subrecipients (audits)

A. Subrecipient characteristics and identification:

The definition given in 2 CFR §200.93 Subrecipient is:

Subrecipient means 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. A subrecipient may also be a recipient of other Federal awards directly from a Federal awarding agency.

A “non-Federal entity” means a State, local government, Indian Tribe, institute of higher education (IHE), or non-profit organization that carries out a Federal award as a recipient or subrecipient.

Characteristics which support the classification of the non-Federal entity as a subrecipient include when the non-Federal entity:

- 1) Determines who is eligible to receive what Federal assistance;
- 2) Has its performance measured in relation to whether objectives of a Federal program were met;
- 3) Has responsibility for programmatic decision making;
- 4) Is responsible for adherence to applicable Federal program requirements specified in the Federal award;



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- 5) In accordance with its agreement, uses the Federal funds to carry out a program for a public purpose specified in authorizing statute, as opposed to providing goods or services for the benefit of the pass-through entity.

A subaward means an award provided by a pass-through entity to a subrecipient for the subrecipient to carry out part of Federal award received by the pass-through entity. It does not include payments to a contractor or payments to an individual that is a beneficiary of a Federal program. A subaward may be provided through any form of legal agreement, including an agreement that pass-through entity considers a contract.

Subrecipient vs. Contractor. A contractor means an entity that receives a contract which is a legal instrument by which a non-federal entity purchases property or services needed to carry out the project or program under Federal award. Examples of a contract are dealer, distributor, merchant, or other seller providing goods or services for the conduct of the federal program. Characteristics indicative of a procurement relation between the non-Federal entity and a contractor are when the contractor:

- 1) Provides the goods and services within normal business operations;
- 2) Provides similar goods or services to many different purchasers;
- 3) Normally operates in a competitive environment;
- 4) Provides goods or services that are ancillary to the operation of the Federal program and;
- 5) Is not subject to compliance requirements of the Federal program as a result of the agreement, through similar requirements may apply for other reasons.

All the characteristics listed above may not be present in all cases. 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.

Audit requirements for contractors are covered by the terms and conditions of the contract and are not addressed in this document.

Attachment A provides a decision tree useful for identifying subrecipients. The questions are answered by individuals having program and/or funding source knowledge of the grant, cooperative agreement, or contract including principal investigators, fiscal officers, proposal officers or grants and contracts administrators. The Controller may be contacted if further guidance is needed from the university's federal cognizant agent.



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The information to support the subrecipient determination is forwarded to the procurement or contracting officer. If the procurement or contracting officer does not agree with the subrecipient determination, further discussion with the grants and contracts office must take place. The Controller, in conjunction with the Chief Audit Executive, will provide guidance if an impasse is reached. The information to support the subrecipient status should be filed with the federal grant documents.

Normally, if a subrecipient relationship exists, cost reimbursable contracts may be issued. Contracts with subrecipients must include the information listed in Section B below.

B. Notification of requirements to subrecipients:

The procurement officers, working in conjunction with the regional campus grants and contracts offices, must ensure that contracts with subrecipients cite:

- the federal source of funds, including the CFDA title and number, award name and number, award year, if the award is R&D, and name of Federal agency.
- all applicable flow down clauses.
- the cost principle references: 2 CFR §200 Subpart E – Cost Principles
- the laws and regulations applicable to the program, including the Federal and university fiscal and administrative requirements.
- a clause stating subrecipients must meet the audit requirements. (Entities expending more than \$750,000 in federal awards in their fiscal year are subject to 2 CFR § 200, Subpart F – Audit Requirements). The clause should be included in all contracts, even those under \$750,000, to ensure the subrecipient has been correctly advised.
- A requirement that the subrecipient permit the pass-through entity and auditors to have access to the subrecipient's records and financial statements as necessary for the pass-through entity to meet the requirements of this part and
- Appropriate terms and conditions concerning the closeout of the subaward.

An original of the subrecipient cost reimbursement contract/subcontract and all subsequent modifications are to be filed in the procurement or contracting office. Copies are provided to the Grants and Contracts Office or the Business Office for their project files.



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C. Monitoring during the award:

The objective of monitoring during the award is to ensure that federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved (2 CFR § 200, Subpart D – Post Federal Award Requirements). Monitoring can be done through site visits, reporting, regular contact and other means.

To ensure resources and personnel are best used, subrecipients should be evaluated according to their risk-level to determine the level of monitoring deemed necessary. Judgment is required. There is increased risk to the university with larger subawards or when the subaward is significant relative to the total federal award.

Negative risk factors include subrecipients with:

- constant staffing and/or organizational changes
- low-quality programmatic performance
- inadequate, inaccurate or late progress or financial reports
- lack of previous federal grant experience
- poor results from prior audits

Principal Investigators (PI's) are primarily responsible for doing the during-the-award monitoring. Grants and contracts offices are responsible for informing PI's of these requirements and ensuring the subrecipient's risk has been evaluated and appropriate monitoring was performed. Through reporting and regular contact with subrecipients or site visits, PI's are able to verify that program requirements are being met.

D. Monitoring Subrecipients (audits):

The subrecipient contracts are encumbered and accounted for using either account code 3021 or 3022. Two account codes are required to comply with 2 CFR 200 Subpart E – Cost Principles requirement of not recovering indirect costs on the portion of contracts over \$25,000. Using two account codes enables the university to account for all expenditures made to the subrecipients in a fiscal year and to determine which subrecipients require monitoring.

At year end, the Statewide Fund Accounting office identifies subrecipients by reviewing activity in account codes 3021 and 3022. If necessary, the campuses may provide to the Statewide Fund Accounting office copies of source documents including the subrecipient



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agreement, checks, purchase orders, and vendor invoices to substantiate subrecipient status. The Statewide Fund Accounting office sends letters to subrecipients to verify completion of a Federal Single Audit under 2 CFR 200 Uniform Guidance and status of any current year or prior year findings. Source documents may be sent to the subrecipients to assist them with the identification process. A sample letter to the subrecipients is in Attachment B, page 7.

The Federal Single Audit reports are required to be completed within nine months of an entity's year end, unless an approved extension is granted by an entity's cognizant or oversight agency. Alternative procedures for verifying the completion of the audit include obtaining a copy from the entity's website or from the Federal Audit Clearinghouse website.

Remedial action for non-compliance of the audit requirement:

The Statewide Fund Accounting office logs in the audit reports as they are received and determines which entities have failed to report. Second requests for audit information are then sent to the subrecipients.

When no audit report is received and alternative procedures fail, the Statewide Fund Accounting office consults with the regional campus grants and contracts office to consider the various facts and circumstances and to attempt a resolution with the subrecipient. The grants and contracts office reports the non-compliance to the responsible procurement or contracting officer for action. The university procurement or contracting officer, with advice from the regional campus grants and contracts office, will consider not issuing further contracts and/or freezing existing contracts. The procurement or contracting officer may request the return of the federal funding and institute collection activity if considered necessary by the university.

Review of audit report findings:

The audit reports are received and reviewed by the Statewide Fund Accounting office to determine if there are findings that relate to the University of Alaska's awards. If there are findings, the Office of Audit and Consulting Services, in conjunction with the regional campus grants and contracts office, will request the subrecipient give the university a plan of action to correct the situation cited in the audit report and that it give the university proof of the plan's implementation. Appropriate corrective action is required within six months of the issue date of the audit report (2 CFR 200, Subpart F – Audit Requirements).



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The procurement or contracting officer will be notified in writing of any findings regarding the contract. Formal notices may be issued to the subrecipient. The university procurement or contracting officer, with advice from the regional campus grants and contracts office, will consider not issuing further contracts and/or freezing existing contracts.

Adjustment of university accounting records:

The Statewide Fund Accounting office, in conjunction with the Office of Audit and Consulting Services, will consider whether an adjustment should be made on the university's records and will make any necessary entries. The consideration and subsequent action will be in writing and will be retained by the Statewide Fund Accounting office. Copies will be sent to the regional campus grants and contracts offices.

Recordkeeping requirements:

The audit reports are required to be on file in accordance with the university's retention provisions. Generally, contract/order records and related audit documents are retained three years after the date of the final payment, including any settlement payments. Please note: 2 CFR 200 Uniform Guidance requires the audit reports be on file for at least three years from the date of receipt (2 CFR 200 Subpart F – Audit Requirements).

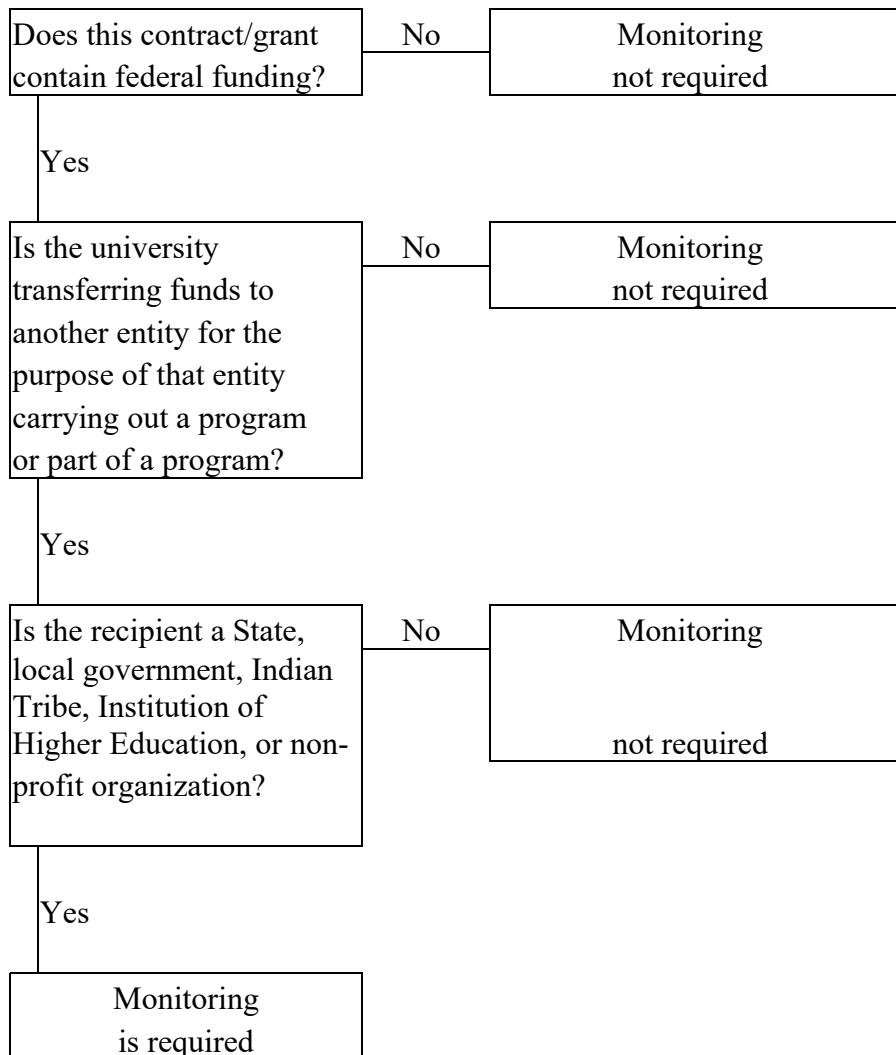
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Attachment A

Monitoring of Non-profit and Governmental Subrecipients
As required by OMB 2 CFR 200 Uniform Guidance





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Attachment B

Date

Address

Re: Reporting requirements under OMB 2 CFR 200 Uniform Guidance

In the process of completing the University of Alaska’s 2 CFR 200 Uniform Guidance Single Audit for fiscal year ended June 30, XXXX, we have determined that your organization was a sub-recipient of federal funds “passed through” the University of Alaska. In accordance with OMB 2 CFR 200, section .331 (f), please complete the following appropriate information and return this form to the address below. And provide us a copy of your XXXX OMB 2 CFR 200 Uniform Guidance Single Audit Report or website link to access the report and/or any other required report(s).

URL _____

Contact Person: _____ Title: _____

Phone: _____ Fax: _____

Date: _____ E-Mail: _____

Signature: _____

1. [] We have completed our federal single audit for fiscal year ending _____.
 ___ No exceptions were noted.
 ___ Exceptions were noted, but do not pertain the University of Alaska
 ___ Exceptions were noted and some pertain the University of Alaska. A report is required.
 ___ The report may be accessed at (URL): _____
 ___ The report has been mailed to the address above.
2. [] We are not subject to the audit requirements of federal single audit because our organization:
 ___ Is NOT a non-federal entity (non-federal entity means a state, local government, Indian Tribe, institution of higher education, or nonprofit organization)
 ___ Expended less than \$750,000 in total Federal Funds for the fiscal year
 ___ Is a foreign (non-U.S.) entity
 ___ Other (explain): _____
3. [] We have not completed our federal single audit for fiscal year _____. We expect our audit to be finalized by _____. We will forward a copy of the audit and advise you of the results upon completion.



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Please return to XXXX, University of Alaska, PO Box 756540, Fairbanks, AK 99775-6540 or email to ua-fund@alaska.edu. Should you have any questions, please contact XXXX at (907) 450-8073 or email: XXXX@alaska.edu

Sincerely,

Financial Accounting Director