



University of Colorado  
Denver | Anschutz Medical Campus

# **Subrecipient Monitoring**

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## INTRODUCTION

The University of Colorado Denver | Anschutz Medical Campus (University) is responsible for monitoring the programmatic and financial activities of its subrecipients to ensure proper stewardship of sponsor funds.

This course is designed to discuss the requirements for subrecipient monitoring, roles and responsibilities for subrecipient monitoring at the University, and monitoring activities. Information on subrecipient and contractor determination and the University's process for making a subaward is presented in SP 11: Contracting at the University.

### Background

The University may receive funding directly from a sponsor and then award a portion of that funding to another entity to carry out a portion of the award. The award made by the sponsor to the University is known as the **prime award** and the award made by the University to another entity is called a **subaward**. The University is **pass-through entity (PTE)** when it makes a subaward and the entity receiving the subaward is known as a **subrecipient**.

When the University serves as a **pass-through entity**, it assumes the role and responsibilities of both a recipient and sponsor. As a pass-through entity, the University must administer and manage an award in adherence to the terms and conditions of the prime award while also ensuring the subrecipient is in compliance with the subaward. The University is responsible for monitoring the financial and programmatic performance of subrecipients to ensure compliance.

### Importance of Compliance

Federal Offices of Inspectors General have frequently identified subrecipient monitoring as weakness of grants management. In recent years, federal auditors and awarding agencies have significantly increased reviews and scrutiny of subrecipient monitoring policies and procedures. As a result, the University has received an increase in sponsor desk reviews and audits focused on our subrecipient monitoring.

The University is at risk of noncompliance when we fail to adequately monitor subrecipients and document our monitoring activities. Noncompliance with subrecipient monitoring requirements can result in sanctions against the University, which could include a sponsor disallowing the entire cost of a subaward. In such situations the University would be required to repay the disallowed costs, not the University's subrecipient.

### Source Requirements for Monitoring

2 CFR 200 – Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) establishes requirements for

managing federal grants and cooperative agreements.<sup>1</sup> The provisions in 2 CFR 200 related to subrecipient monitoring and management are:

- 2 CFR 200.330 Subrecipient and Contractor Determinations
- 2 CFR 200.331 Requirements for Pass-Through Entities
- 2 CFR 200.332 Fixed Amount Subawards
- Appendix XI Compliance Supplement<sup>2</sup>

Federal awarding agencies may also impose agency- or programmatic-specific subrecipient monitoring requirements as well.

For non-federal awards, the University must follow all sponsor requirements for making subawards and monitoring subrecipients.

Additionally, the University's Subrecipient Monitoring Policy identifies and explains the roles and responsibilities for ensuring compliance with sponsor requirements.

Federal Compliance Requirements for Subrecipient Award Management and Monitoring  
2 CFR 200 and the Compliance Supplement explain the federal compliance requirements for subrecipient award management and monitoring.

- Identify the Award and Applicable Requirements. A subaward agreement issued by the University must include the following information, per 2 CFR 200.331(a):
  - Subrecipient name, which must match the name associated with its unique entity identifier<sup>3</sup>
  - Subrecipient's unique entity identifier
  - Federal Award Identification Number (FAIN)
  - Federal award date of the prime award to the University
  - Subaward period of performance start and end date
  - Amount of federal funds obligated by the University to the subrecipient for the current action
  - Total amount of federal funds obligated to the subrecipient by the University
  - Total amount of federal funds committed to the subrecipient by the University

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<sup>1</sup> The Office of Management and Budget (OMB) issued 2 CFR 200 in December 2014. As OMB does not have the authority to issue regulations, each federal awarding agency was required to issue its own regulation implementing 2 CFR 200. A notice of award will generally reference the awarding agency's implementing regulation instead of 2 CFR 200. For example, the implementing regulation for the Department of Health and Human Services is located at 45 CFR 75.

<sup>2</sup> OMB releases the annual Compliance Supplement, which is referenced in Appendix XI of 2 CFR 200. The Compliance Supplement identifies compliance requirements for federal awards. Federal awarding agencies and auditors use the Compliance Supplement in monitoring and auditing non-federal entities to ensure recipient compliance.

<sup>3</sup> The federal government currently uses an entity's DUNS Number as its unique entity identifier.

- Federal award project description, as required by the Federal Funding Accountability and Transparency Act (FFATA)
- Name of the University, federal awarding agency, and contact information of the University's awarding official
- Catalog of Federal Domestic Assistance Number (CFDA) and program name
- Identification of whether the award is research and development (R&D)
- Indirect (F&A) cost rate for the federal award
- Evaluate Risk. 2 CFR 200.331(b) requires the University to evaluate a subrecipient's risk of non-compliance with federal statutes, regulations, and the terms and conditions of the subaward in order to determine the appropriate extent of monitoring.
- Monitoring. Under 2 CFR 200.331(d) through (f), the University must monitor the activities of subrecipients to ensure that the subaward is used for authorized purposes, complies with the terms and conditions of the subaward, and achieves performance goals. The University is responsible for:
  - Reviewing financial and programmatic reports
  - Following-up and ensuring that the University's subrecipients take timely and appropriate action on all deficiencies pertaining to the federal award as detected through audits, on-site reviews, and other means
  - Issuing management decisions for audit findings pertaining to the federal award
- Ensure Accountability of For-Profit Subrecipients. The University must establish requirements in the subaward agreement to ensure for-profit subrecipients are in compliance by identifying applicable compliance requirements and describing the for-profit subrecipient's compliance responsibilities. Methods to ensure compliance may include:
  - Pre-award audits
  - Monitoring
  - Post-award audits

### Suggested Audit Procedures

The Compliance Supplement identifies federal award compliance requirements and suggested audit procedures that auditors may use to ensure the University is in compliance. Additionally, federal awarding agencies and pass-through entities may use the Compliance Supplement as guidance in monitoring activities.

The 2017 Compliance Supplement<sup>4</sup> identifies the following tests auditors should use when evaluating a recipient's compliance with subrecipient monitoring requirements:

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<sup>4</sup> The 2018 Compliance Supplement was a "skinny" version of the document, which only identified changes to the Compliance Supplement. OMB is expected to release the 2019 Compliance Supplement during the second quarter of 2019.

1. Review the PTE's subrecipient monitoring policies and procedures to gain an understanding of the PTE's process to identify subawards, evaluate risk of noncompliance, and perform monitoring procedures based upon identified risks.
2. Review subaward documents including the terms and conditions of the subaward to ascertain if, at the time of subaward (or subsequent subaward modification), the PTE made the subrecipient aware of the award information required by 2 CFR section 200.331(a) sufficient for the PTE to comply with Federal statutes, regulations, and the terms and conditions of the award.
3. Review the PTE's documentation of monitoring the subaward and consider if the PTE's monitoring provided reasonable assurance that the subrecipient used the subaward for authorized purposes in compliance with Federal statutes, regulations, and the terms and conditions of the subaward.
4. Ascertain if the PTE verified that subrecipients expected to be audited as required by 2 CFR part 200, subpart F, met this requirement (2 CFR section 200.331(f)). This verification may be performed as part of the required monitoring under 2 CFR section 200.331(d)(2) to ensure that the subrecipient takes timely and appropriate action on deficiencies detected through audits.

## University Roles and Responsibilities

The responsibilities for subrecipient monitoring and award management are a shared responsibility between the Office of Grants and Contracts (OGC), the Compliance Office, and principal investigators (PIs) and their respective administrative units.

- PIs and Administrative Units are responsible for ongoing and continuous subrecipient monitoring. The University's Roles and Responsibilities for Sponsored Project Administration policy states: "The PI maintains primary responsibility for achieving the technical success of the project and for compliance with the financial and administrative policies and regulations associated with the award." Under the University's policy, PIs are primarily responsible for ensuring all subrecipients are making adequate progress on the subaward and in compliance with financial and administrative requirements, while also ensuring compliance with subrecipient monitoring requirements. Administrative units may assist PIs in reviewing invoices, ensuring progress reports are received on-time, providing guidance on addressing subrecipient noncompliance, and documenting subrecipient monitoring activities.
- OGC Contracting Services is the principle office within OGC responsible for subawards. Contracting Services is responsible for reviewing and negotiating subawards and amending any subrecipient agreement. OGC PreAward will review proposals to ensure the subrecipient budget conforms to sponsor requirements. OGC Post Award is responsible for submitting financial reports to sponsors, which contains financial information from the University's subrecipients.
- Compliance, Training, and Real Estate Coordination Services (Compliance Office) is an office within Financial Services responsible for reviewing the University's subrecipients' single audits and issuing management decisions for audit findings.

The following table identifies the requirements for subrecipient award management and the responsible University offices.

Requirement	Responsible Office(s)
Subrecipient and Contractor Determination (2 CFR 200.330)	<ul style="list-style-type: none"> <li>• OGC Contracting Services will use the subrecipient determination checklist to identify the appropriate award instrument.</li> <li>• Pls Administrative units may use the subrecipient determination checklist during the pre-award phase to assist in the proposal development process.</li> </ul>
Identify the Award and Applicable Requirements (2 CFR 200.331(a))	<ul style="list-style-type: none"> <li>• OGC Contracting Services is responsible for ensuring all required elements are contained in the subaward document.</li> <li>• Pls Administrative units should review the award document to verify all required elements are identified.</li> </ul>
Complete Subrecipient Risk Assessment (2 CFR 200.331(b))	<ul style="list-style-type: none"> <li>• OGC Contracting Services is responsible for conducting a risk assessment for each subaward.</li> <li>• Pls and Administrative units should review the SAM Exclusions Extract<sup>5</sup> to identify any potential debarred or suspended individual or entity before requesting a subaward. Administrative units should also review the risk assessment to develop a subrecipient monitoring plan.</li> </ul>
Apply Specific Conditions on a Subrecipient (2 CFR 200.331(c))	<ul style="list-style-type: none"> <li>• OGC Contracting Services is responsible for imposing specific conditions onto a subrecipient after conducting the risk assessment or by amending the subaward agreement during the period of performance.</li> <li>• Pls and Administrative units may request OGC Contracting Services impose a specific condition based on adequately documented prior history with the subrecipient or during the period of performance</li> </ul>

<sup>5</sup> The SAM Exclusions Extract is found at: <https://www.sam.gov/SAM/pages/public/searchRecords/search.jsf>.



	when the conditions under 2 CFR 200.207(a) are met.
Reviewing financial and performance reports required by the pass-through entity (2 CFR 200.331(d)(1))	<ul style="list-style-type: none"> <li>PIs and Administrative units are required to review and approve financial reports, performance reports, and all invoices. Administrative units are required to address any deficiencies in a subrecipient's performance report and may disallow unallowable, misallocated, unreasonable, or inconsistent costs. Administrative units are encouraged to work with the Compliance Office.</li> </ul>
Following-up and ensuring that the subrecipient takes timely and appropriate action on all deficiencies pertaining to the Federal award provided to the subrecipient from the pass-through entity detected through audits, on-site reviews, and other means (2 CFR 200.331(d)(2))	<ul style="list-style-type: none"> <li>The Compliance Office is responsible for ensuring a subrecipient has taken timely and appropriate actions to correct deficiencies detected through an audit.</li> <li>PIs and Administrative units are responsible for addressing deficiencies detected through routine monitoring or on-site reviews. Administrative units are encouraged to work with the Compliance Office.</li> </ul>
Issuing a management decision for audit findings pertaining to the Federal award provided to the subrecipient from the pass-through entity (2 CFR 200.331(d)(3))	<ul style="list-style-type: none"> <li>The Compliance Office is responsible for issuing management decisions related to audit findings for University subawards.</li> </ul>
Monitoring Subrecipients and Documenting Monitoring Activities (2 CFR 200.331(e))	<ul style="list-style-type: none"> <li>PIs and Administrative units are responsible for monitoring and documenting monitoring activities.</li> </ul>
Verify that every subrecipient is audited as required by Subpart F—Audit Requirements (2 CFR 200.331(f))	<ul style="list-style-type: none"> <li>The Compliance Office and OGC Contracting Services are responsible for verifying a subrecipient has a Single Audit. OGC Contracting Services is responsible for reviewing a subrecipient's Single Audit at the time of award, and the Compliance Office is responsible for ensuring the Single Audit is completed during the period of performance</li> </ul>

	and during the record retention period.
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 CFR 200.331(g))	<ul style="list-style-type: none"> <li>Contracting Services and the Compliance Office may update internal records as necessary to reflect audit findings and changes in a subrecipient's risk assessment. Contracting services may also amend a subaward when necessary. The Compliance Office will also provide guidance and information to administrative units regarding the results of subrecipient audits.</li> <li>PIs and Administrative units should document subrecipient monitoring activities and retain related communications and other documents.</li> </ul>
Consider taking enforcement action against noncompliant subrecipients (2 CFR 200.331(h))	<ul style="list-style-type: none"> <li>PIs and Administrative units should notify Contracting Services when a subrecipient is noncompliant with a subaward agreement. Contracting Services will work with the Compliance Office and the administrative unit to amend the subaward agreement.</li> </ul>

### Contact Information

OGC Contracting Services - [OGC.Subcontracts@ucdenver.edu](mailto:OGC.Subcontracts@ucdenver.edu)

TK Keith, Manager of Compliance, Training, and Real Estate - [THOMAS.KEITHIII@CUANSCHUTZ.EDU](mailto:THOMAS.KEITHIII@CUANSCHUTZ.EDU)

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## Prior Approvals for the University's Subrecipients

In addition to the subrecipient monitoring requirements, the University also assumes other administrative responsibilities when administering subawards. For most federal awards, the University assumes the roles and responsibilities of a sponsor when acting as a pass-through entity. One of the primary administrative responsibilities for the University is to review prior approval requests.

### Prior Approvals – All Federal Awards

2 CFR 200.308(c) identifies the actions that require prior approval for all non-construction federal awards. Recipients and subrecipients must request prior approval when for the following programmatic or budget-related reasons:

- Change in scope or the objective of the project
- Change in a key person specified in the application or the award
- The disengagement from the project for more than three months, or a 25% reduction in time devoted to the project, by the approved project director or PI
- The inclusion, unless waived by the federal award agency, of costs that require prior approval in 2 CFR 200 or 45 CFR 75, Appendix IX (the cost principles for hospitals)
- The transfer of funds budgeted for participant support costs
- Unless included in the application and funded in the approved federal award, the Subawarding or contracting out of any work under a federal award<sup>6</sup>
- Changes in the approved cost-sharing or matching requirement
- The need for additional federal funds to complete the project

### Prior Approvals – Non-NIH Federal Awards

Certain administrative actions and costs require sponsor or pass-through entity approval before a recipient may proceed with an action or incur a cost. For federal awards, there are two general guidance documents for prior approvals:

- **Non-research awards.** 2 CFR 200.407 provides a list of all actions and costs that *might* require prior approval. Agencies have the authority to waive certain prior approval requirements; therefore, it is essential PIs and administrative units know the agency, program, and award-specific requirements. When determine which actions might require prior approval, PIs and administrative units should first refer review the prime award terms and conditions, then review any program-specific guidance, and then review the federal agency's implementing regulations for 2 CFR 200.
- **Research awards.** Federal research awards generally provide **expanded authorities** that waive many prior approval requirements. When a prior approval

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<sup>6</sup> For NIH Awards, Section 8.1.1 states that prior approval is only required when the transfer of work would be to a foreign component or the transfer of work would result in a change in scope.

requirement is waived, a recipient or subrecipient does not need to obtain prior approval from the awarding agency or pass-through entity before proceeding.

For most federal awards, the University is responsible for reviewing a subrecipient's prior approval request and determining whether to grant approval. The National Institutes of Health (NIH) is an exception to this statement.

#### Prior Approvals – NIH Awards

Section 15.2.4 of the National Institutes of Health Grants Policy Statement (NIHGPS)<sup>7</sup> states:

The recipient is responsible for obtaining NIH awarding IC approval for any actions to be undertaken by consortium participants that require prior approval. Recipients may establish requirements for review of consortium participants' activities consistent with those requirements and with any authorities provided to the recipient; however, a recipient may not provide any authority to a consortium participant that the recipient has not been provided under its NIH award.

For NIH awards, the University cannot grant prior approval to our subrecipients. Instead, the University must seek prior approval from the applicable NIH Program Officer before a subrecipient may proceed.

#### Prior Approval – Non-Federal Awards

For non-federal awards, the University must follow the sponsor's requirements for obtaining and granting prior approval for our subrecipients.

#### Granting Prior Approval to Subrecipients

Prior approval requests from a subrecipient must be in writing, and any approval from the University to a subrecipient must be in writing. Questions to consider before granting prior approval include:

- To what extent does the request alter the University's scope of work?
- What effect does the change will have on the subrecipient's budget?
- Is the proposed change necessary for the project's success?
- Will the change impact the project's timeline?

#### Retroactive Prior Approvals

A subrecipient may request prior approval for an administrative action or incurred cost after the fact; however, the University is under no obligation to grant retroactive prior approval.

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<sup>7</sup> Section 15.2 of the NIHGPS is located at [https://grants.nih.gov/grants/policy/nihgps/html5/section\\_15/15.2\\_administrative\\_and\\_other\\_requirements.htm](https://grants.nih.gov/grants/policy/nihgps/html5/section_15/15.2_administrative_and_other_requirements.htm)

When determining whether to grant retroactive prior approval, the University should take into consideration why the subrecipient failed to request prior approval and how the subrecipient will mitigate the problem in the future. Denial in a retroactive prior approval may result in a disallowed cost.

## **Monitoring Activities**

### **Subrecipient Monitoring**

Continuous and ongoing monitoring of the financial and programmatic performance of a subaward is the responsibility of the PI and the respective administrative unit. For PIs and administrative units, the process of monitoring begins upon issuance of a subaward agreement and ends once the subaward is formally closed.

Key elements of subrecipient monitoring include:

- Knowledge and understanding of the terms and conditions of the subaward
- Regular communication with the subrecipient
- Reviewing and approving invoices and financial reports to verify all costs are allocable, allowable, and necessary and reasonable
- Reviewing and approving technical and progress reports to verify the subrecipient is achieving applicable performance goals
- Documenting supporting subrecipient monitoring efforts
- Ensuring the subrecipient is in compliance with the subaward terms and conditions and applicable statutes and regulations

### **Developing a Subrecipient Monitoring Plan**

Some sponsors may require the University to develop and execute a subrecipient monitoring plan for each subrecipient. Even if a sponsor does not require a formal plan, it is a best practice to develop and document a plan for each subrecipient.

A monitoring plan should be developed based on the subrecipient's risk assessment, which is completed by OGC Contracting Services. OGC Contracting Services generally classifies a subrecipient as either lower risk or higher risk. OGC Contracting Services will notify an administrative unit when a subrecipient is classified as higher risk; however, administrative units may request a copy of the risk assessment for each of their subrecipients.

Potential indicators of a higher risk subrecipient include:

- A qualified or modified auditors opinion from a previous Single Audit
- Recent OIG audit findings
- Inadequate response to a financial questionnaire
- History of noncompliance
- Failure to previously meet performance goals and expected outcomes
- Prior failure to use funds for their authorized purposes
- New subrecipient
- Foreign subrecipient
- Award size relative to subrecipient's sponsored research portfolio
- For profit entities with little to no prior experience managing federal grants

At a minimum, a subrecipient monitoring plan for a lower risk subrecipient should include:

- Regular communication between the University and the subrecipient to ensure adequate progress is being made
- Reviewing and approving invoices and financial reports
- Reviewing and approving technical or progress reports
- Verifying expenses align with the period of performance or budget and approved budget
- Ensuring the subrecipient's administrative and financial management are in accordance with the subaward agreement, regulations, and requirements
- Ensuring deliverables are completed and delivered in a timely manner

OGC Contracting Services may add additional terms and conditions on a subrecipient that has been classified as a higher risk subrecipient. For example, the University may require the subrecipient to provide detailed invoices along with supporting documentation for related costs or imposing additional prior approval requirements.

A monitoring plan for a higher risk subrecipient should include all the procedures for a lower risk subrecipient and may include:

- Requesting the Compliance Office to complete a desk review of the subrecipient
- Conducting site visits of the subrecipient
- Holding formal and frequently pre-arranged meetings to review progress
- Requiring the subrecipient obtain technical assistance

### Documenting Monitoring Activities

PIs and administrative units must document monitoring activities for all subrecipients. The University provides a subrecipient monitoring record document on the OGC website.<sup>8</sup> While the use of this specific form is not a requirement, PIs and administrative units are required by federal regulations to maintain documentation for subrecipient monitoring. Failure to provide documented and verifiable evidence of subrecipient monitoring may result in audit findings and disallowed costs, including up to the full amount of the subaward.

### Site Visits

Budgeting and charging costs related to conducting a site visit of a subrecipient is allowable for federal awards. Site visits can focus on financial management and programmatic administration, either together or separately, with key personnel at the subrecipient location. Site visits can also be announced or unannounced, depending on

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<sup>8</sup> The Subrecipient Monitoring Record document is found at:  
[http://www.ucdenver.edu/research/Research%20Administration%20Documents/SubrecipientMonitoringRecord\\_2015Oct.docx](http://www.ucdenver.edu/research/Research%20Administration%20Documents/SubrecipientMonitoringRecord_2015Oct.docx)

the level of risk. PIs and administrative units are encouraged to work with the Compliance Office when planning, conducting, and completing a site visit.



## **Reviewing and Approving Invoices and Financial Reports**

### Invoices and Financial Reports

For most of the University's subawards, subrecipients are required to submit invoices for payment. Some sponsors may require the University also request financial reports from subrecipients. The frequency and due dates for invoices and financial reports will vary; however, administrative units may work with OGC Contracting Services to determine an adequate reporting schedule.

For higher risk subrecipients, the University may require a detailed invoice along with supporting documentation; however, the University retains the right under federal grant regulations to ask for a detailed invoice, along with necessary supporting documentation, from any subrecipient for monitoring purposes. For example, if the level of detail included on an invoice is not sufficient to understand the direct costs, or if it appears that some costs may be excessive or understated, the PI is responsible for requesting additional document from the subrecipient prior to approving an invoice.

### Reviewing Invoices

Subrecipients are expected to provide invoices consistent with the terms of the subaward award agreement. Per the University's Subrecipient Monitoring policy, PIs are responsible for:

- Reviewing and approving subrecipient invoices
- Ensuring that invoiced goods and services fall within the subaward's applicable budget period or period of performance and that all costs are allowable

Some departments may require a PI to sign an invoice before the University begins processing payment. It is a best practice to obtain a PI's signed approval on an invoice before processing the invoice for payment.

OGC provides a Subrecipient Monitoring Invoice Checklist on the A to Z Resources page.<sup>9</sup> While University policy does not mandate administrative units complete this form, it is a best practice to ensure the invoice is accurate and conforms to the subaward's terms and conditions.

In addition to the considerations on the University's invoice checklist, other items to review on an invoice include:

- Verifying the costs are allocated correctly to the project
- Confirming the costs are necessary for the project

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<sup>9</sup> The Subrecipient Monitoring Invoice Checklist is found at:

[http://www.ucdenver.edu/research/Research%20Administration%20Documents/SubrecipientMonitoring\\_Invoice%20Checklist.doc](http://www.ucdenver.edu/research/Research%20Administration%20Documents/SubrecipientMonitoring_Invoice%20Checklist.doc)

- Ensuring any cost sharing commitment has been satisfied and that the appropriate documentation is received from the subrecipient
- Confirming the subrecipient submitted the invoice on time and in accordance with the subaward
- Confirming expenses have been distributed to major categories, and is of a one line invoice
- Reviewing the invoice from an audit perspective – is there enough information on the invoice to re-create an audit trail
- Review any budget deviations or rebudgeting<sup>10</sup>

### Resolving Invoice Issues

Approval should never be given to an invoice when there are concerns regarding the subrecipient's progress, invoice charges, or a lack of documentation. The administrative unit should contract the subrecipient to request additional information and to resolve any concerns.

The University cannot pay an invoice with costs that do not conform to the subaward terms and conditions. An administrative unit may request OGC Contracting Services draft a letter to the subrecipient outlining the University's decision to disallow a cost or refuse payment of an invoice.

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<sup>10</sup> Most federal research awards require prior approval when expenditures in a single direct cost budget category deviate from the categorical commitment established for the budget period by more than 25% of the total costs awarded. Even when a subrecipient does not meet the threshold requiring prior approval for rebudgeting, the subrecipient may still require prior approval for any scope change resulting from rebudgeting.

## **Monitoring Programmatic Performance**

### **Technical and Progress Reports**

The purpose of a subrecipient is to carry out a portion of the programmatic scope of the sponsored project. Therefore, the success of the award made to the University is dependent upon subrecipients meeting their obligations. To verify and monitor the subrecipient's progress, the University requires subrecipients submit technical or progress reports on a predetermined schedule.

PIs and administrative units should review technical reports in conjunction with invoices and other subrecipient financial information. The amount of funding the subrecipient has spent should align with the programmatic performance.

### **Reviewing and Approving Technical and Progress Reports**

The University's Subrecipient Monitoring policy states that PIs are responsible for reviewing and approving progress reports. Some considerations for reviewing and approving progress reports include:

- Ensuring the subrecipient is making adequate progress on the identified performance goals or aims
- Ensuring the progress reports are submitted on time
- Ensuring the progress reports are aligned with the subaward's objectives
- Verifying deliverables are provided according to schedule

A subrecipient's performance report should include:

- A comparison of actual accomplishments to the objectives established by the subaward
- Reasons why established goals were not met and a description of how the subrecipient will meet the goals
- Calculation of the costs related to units of accomplishment and justification for high unit costs or overruns, if required by the sponsor

### **Significance of Late and Inadequate Reports**

The submission of late reports to federal awarding agencies is a serious compliance issue, which can result in audit findings and the imposition of specific conditions on the award. Additionally, the submission of technical reports that are incomplete insufficiently detailed may be rejected by a federal awarding agency.

The University should hold our subrecipients to the same standard. The submission of late or inadequate technical reports from subrecipients could result in the University submitting late or inadequate reports to federal and non-federal sponsors, which may have consequences for the University.

If a PI does not accept a progress report, the PI should notify the subrecipient of the deficiencies in the technical report and what corrections are required.

### Significant Developments

2 CFR 200.328(d) requires recipients to notify federal awarding agencies or pass-through entities of any significant developments for a project. 2 CFR 200.328(d) states:

*Significant developments.* Events may occur between the scheduled performance reporting dates that have significant impact upon the supported activity. In such cases, the non-Federal entity must inform the Federal awarding agency or pass-through entity as soon as the following types of conditions become known:

- (1) Problems, delays, or adverse conditions which will materially impair the ability to meet the objective of the Federal award. This disclosure must include a statement of the action taken, or contemplated, and any assistance needed to resolve the situation.
- (2) Favorable developments which enable meeting time schedules and objectives sooner or at less cost than anticipated or producing more or different beneficial results than originally planned.

At the start of a subaward, the University's subrecipients should be reminded of their obligations under 2 CFR 200.328(d).

### Resolving Performance Issues

Regular and ongoing documented communications with a subrecipient should help in identifying any significant developments with the subrecipient. When problems with a subrecipient's performance are detected, PIs and administrative units may:

- Increase the frequency of communication with the subrecipient
- Conduct a site visit of the subrecipient
- Contact OGC Contracting Services to amend a subaward agreement, including modifications to the statement of work

Proactive monitoring of a subrecipient's performance helps to mitigate the severity of future issues.

## **Subrecipient Closeout**

### **Closeout**

A subaward is complete only after all reports, deliverables, and other items required by the subaward have been delivered to and accepted by the University. It is essential to close out subawards promptly after performance completion and acceptance of all work and deliverables. The University cannot close out our award until all of the subawards have been closed.

### **Closeout of Subawards**

PIs and Administrative units should begin subaward closeout actions immediately following conclusion of the subaward period of performance. A subrecipient award may not be formally closed until all of the applicable closeout requirements have been accomplished, including:

- Receipt and approval of the final invoice
- Receipt and approval of the final technical report or progress report
- Receipt and approval of any other final report, including invention reports and equipment reports
- Collection of all required deliverables

In general, the University requires subrecipients to submit final invoices no later than 60 days after the subaward end date.

### **Ensuring a Timely Closeout**

PIs and administrative units should notify a subrecipient 90 days before the end of the subaward period of performance of the appropriate closeout procedures for the subaward. This is an appropriate time to discuss with a subrecipient if the subrecipient may require a no cost extension, as applicable to the subaward terms and conditions.

Any late submissions by the subrecipient may affect the University's ability to closeout our award. The University cannot closeout out an award if a subrecipient has failed to submit their final reports. This may cause a delay for the University, which in turn may result in the prime sponsor taking action against the University.

### **Review of Final Invoices**

Final invoices should be carefully scrutinized to ensure all costs are allowable, allocable, and necessary for the end of the project. Large supply or equipment purchases at the end of a subaward are generally viewed as "red flags" for auditors, therefore the University should carefully review such charges to ensure conformance with sponsor requirements.

Additionally, PIs and administrative units should verify all cost sharing or matching requirements have been met.

### Post Closeout Responsibilities

Following closeout of a subaward, the University still has ongoing requirements to fulfill. PIs and administrative units must retain all related subrecipient documents for the record retention period. The State of Colorado and the University have adopted policies that are more stringent than federal requirements, therefore PIs and administrative units should review the Record Retention schedule found at:

<https://www.cu.edu/sites/default/files/RecordRetentionUCD.pdf>.

The Compliance Office is responsible for reviewing the Single Audits for all the University's subrecipients during the federal record period, which is three years from the date of final submission of financial reports. The Compliance Office will work with respective administrative unit on audit resolution and the issuance of management decisions for all affected subrecipients.

## Subrecipient Noncompliance

PIs and administrative units are responsible for addressing issues and concerns related to a subrecipient's financial or programmatic management. Any audit findings or cost disallowance resulting from a subrecipient's award management is the responsible of the PI and the respective administrative unit. Any amendments to a subaward agreement addressing subrecipient award management can only be issued by OGC Contracting Services.

2 CFR 200 identifies actions the University may take when addressing subrecipient award management issues under 2 CFR 200.207 and 2 CFR 200.338. 2 CFR 200.207(b) identifies specific conditions that may be placed on a subaward either at the time of the award or during the post award phase. 2 CFR 200.338 identifies remedies for noncompliance the University may take when specific conditions cannot address the subrecipient management issues or when the management issues are an egregious violation of the subaward terms and conditions.

2 CFR 200.207 Specific Conditions	2 CFR 200.338 Remedies for Noncompliance
Requiring payments as reimbursements rather than advanced payment	Temporarily withhold cash payments pending correction of the deficiency or more severe enforcement action
Withholding authority to proceed to the next phase until receipt of evidence of acceptable performance within a given period of performance	Disallow all or post of the cost of the activity or action not in compliance
Requiring additional, more detailed financial reports	Wholly or partly suspend or terminate the award
Requiring additional project monitoring	Recommend to the federal awarding agency that the subrecipient be suspended or terminated
Establishing additional prior approvals	Withhold further federal awards for the project or program
	Take other remedies that may be legally available