

## **Chapman University Guidelines and Procedures for Monitoring Subrecipients**

Chapman University is responsible for the programmatic and financial monitoring of its sponsored research award subrecipients. A subrecipient is a third-party organization performing a portion of Chapman research projects or other sponsored programs. The terms of Chapman-subrecipient relations are documented in, and governed by, sub-grant/subcontract/consortium agreements.

These Guidelines and Procedures for Monitoring Subrecipients (“Guidelines”) are provided to assist responsible Chapman Faculty and Staff in ensuring that subrecipients conduct their portion(s) of research projects in compliance with applicable laws and regulations as well as with the terms and conditions of awards and sub-awards. The Guidelines are also to help ensure that project costs incurred by subrecipients are reasonable and allowable.

### Roles and Responsibilities

1. Principal Investigators. Principal Investigators (“PIs”) are primarily responsible for monitoring subrecipients to ensure their compliance both with federal regulations and with the primary and subrecipient award terms and conditions.
2. Chapman Office of Contract and Grants Accounting. The Chapman University Office of Contracts and Grants Accounting (“CGA”) is responsible for ensuring that the University’s subrecipient monitoring procedures are compliant with federal and other applicable regulations and are consistent with sound business practices. CGA will provide further training, monitoring and guidance in interpreting applicable regulations and subrecipient award terms and conditions, and in interpreting and executing these Guidelines

### Federal Regulations

Although applicable federal regulations that describe subrecipient monitoring are general, they permit the following core monitoring mechanisms:

1. Advising subrecipients of all applicable federal laws and regulations and all appropriate flow-down provisions from the primary agreement
2. The routing receipt and review of technical performance reports
3. The routine review of expenses-to-budget
4. The periodic performance of on-site visits or regular contact, if necessary
5. The option to perform “audits,” if necessary
6. The review of Office of Management and Budget (“OPMB”) Circular A-133 audit reports (“A-133 Audits”) filed by subrecipients and any audit findings
7. The review of corrective actions cited by subrecipients in response to their audit findings

8. Sanctioning subrecipients in cases of their continued inability or unwillingness to permit monitoring activities, to have required audits and/or to correct non-compliant conduct.

The above list is not exhaustive of all compliance requirements and monitoring mechanisms. In addition to these general federal options, there may be additional sponsor-or program-specific requirements that mandate the collection and documentation of other assurances (e.g., with respect to lab animals, human subjects, or biohazards) during the course of a project.

#### Chapman University's Subrecipient Monitoring Guidelines

On an annual basis, CGA will review all subcontracts for which monitoring is mandated and inquire further into those that are deemed to require closer scrutiny in light of considerations such as:

1. Size of subrecipient award. Large awards (e.g., awards with annual budgets in excess of \$500,000) would receive substantial and frequent review and monitoring; mid-size awards (e.g., awards with annual budgets between \$100,000 and \$500,000) would receive proportionately less substantial and less frequent monitoring and smaller awards (.e.g., awards with annual budgets less than \$100,000) would receive general review with the least frequent oversight.
2. Relative award size; research portfolio. The larger the award size relative to the subrecipient's sponsored research portfolio, the greater the need for subrecipient monitoring
3. Relative award size passed through. The larger the percentage of the program award passed through to the subrecipient, the greater the need for subrecipient monitoring.
4. Award complexity. The more complex the award, the more sensitive the work and/or the more extensive the governing regulations, the greater the need for subrecipient monitoring.
5. Prior experience. New subrecipients, inexperienced subrecipients and/or subrecipients with a history of non-compliance, new personnel and/or new or substantially changed systems will require increased monitoring.
6. Location. Subrecipients who are geographically remote from Chapman may require more monitoring and oversight.
7. Foreign; for-profits status. Foreign subrecipients and for-profit subrecipients are associated with increased risks and so may require a greater degree of review, evaluation and attention.
8. Degree of external oversight by auditors or sponsoring agencies. The greater level of external oversight there is by auditors and/or sponsoring agencies, the less need there will be for monitoring by Chapman. Note, however, that Chapman is obligated to monitor subrecipients of its federal awards regardless of the fact that the subrecipients are subject to A-133 Audits.
9. Systems sophistication. The less sophisticated the subrecipient's systems and administrative operations, the greater the need for subrecipient monitoring by Chapman.

Upon identification of those subrecipients that require closer scrutiny based on the above review criteria, the CGA will take appropriate monitoring actions to ensure compliance with sub-agreement performance requirements, financial terms and conditions, and all applicable federal rules and regulations.

In addition to routine monitoring procedures, the CGA will work with PIs to establish channels of communication with subrecipients that require further scrutiny. Administrators at such subrecipient sites may be asked to complete questionnaires (to be filed at Chapman) documenting their internal controls and grants management procedures. In addition, subrecipients that are not subject to A-133 Audits may be asked to submit supporting documentation in the form of original receipts, copies of payroll records, an/or audits if and as circumstances warrant.

The frequency and scope of monitoring procedures should be determined jointly by the responsible PI and CGA. A "risk-based" approach to subrecipient monitoring is recommended with the frequency and intensity of monitoring driven by the criteria stated in the above Guidelines. Under this approach, monitoring will focus on those subrecipients at the greatest risk or of potential for non-compliance.

PIs, with guidance or assistance from the CGA staff, should annually consider the following subrecipient monitoring procedures when appropriate:

1. Review of technical performance reports. Technical performance reports should be reviewed on a timely basis by the PI. Any unusual or unforeseen items should be investigated and documentation thereof should be retained in the CGA's files for ready access by regulators. In some cases, sub-award terms may require specified deliverables in addition to, or in lieu of, technical reports.
2. Review of invoices and expenses-to-budget. Invoices and expenses-to-budget should be reviewed for cost-reimbursement sub-agreements. The subrecipient's invoices showing both current period and cumulative expenses-to-budget are generally required. CGA should compare subrecipient invoices to established subaward budgets. Evidence of the regular review of invoices by the PI and CGA should be in place and retained on file. "Evidence" can be in the form of, among other things, PI initials or authorizing signature on invoices, e-mail communications, or notes of meetings.
3. Clarification of invoiced charges. CGA should request clarification of charges invoiced by the subrecipient that are unusual, miscellaneous, apparently excessive or which otherwise stand out. If explanations provided are insufficient to render a prudent judgment on the allowability of the cost, and the terms of the subaward so permit, CGA may request detailed justifications from subrecipients. CGA may also periodically request, if the terms of the subaward permit and particularly from high-risk subrecipients, detailed support for selected invoiced charges to verify their appropriateness and reasonableness.

Examples of detailed justifications that may be requested from subrecipients include, without limitation:

- a. Payroll records/data
- b. Copies of paid invoices showing the cost of items purchased and Vendor Justification Forms if required by federal contract.

- c. Descriptions of services rendered by consultants including hourly rates and time reports.
  - d. Details of incurred travel charges stating the purpose, airfare, meals, ground transportation, and unallowable costs.
  - e. Costs determined to be unallowable or unreasonable should be disallowed.
  - f. In circumstances where questionable costs remain unresolved, particularly when subcontract terms do not permit requesting supporting documentation, it may become necessary to conduct a definitive audit of all or a portion of questionable costs. (see Audits below)
4. On-site visits. On-site visits are discretionary monitoring procedures. On-site visits are conducted by the PI to evaluate both compliance with the scientific objective of the project and the appropriateness of the subrecipient's administrative systems, processes, and charges. Such visits should be documented via correspondence, meeting notes, and/or trip reports and retained on file.
5. Audits. Discretionary audits of subrecipients are an acceptable monitoring procedure under federal regulations, and all of the University's cost-reimbursement subrecipient agreements contain "right-to-audit" clauses. Formal audits are performed in frequently, however.
6. Review A-133 Audits on-line. The CGA staff should review A-133 Audits filed by subrecipients which expend \$500,000 or more of federal funds during the fiscal year and are subject to A-133 Audits. CGA may view the subrecipient's A-133 Audits in the Federal Audit Clearinghouse (FAC) database (<http://harvester.census.gov/sac>). This website provides evidence to verify that the subrecipient has completed A-133 Audits and to assess the presence of audit findings. This FAC verification may be done in lieu of reviewing A-133 Audits submitted by the subrecipient to Chapman. In cases of a subrecipient's continued inability or unwillingness to have the required audits, ORSPA and CGA may consider taking appropriate sanctions. Examples of sanctions may include withholding of final payment, withholding of further obligations of time and funding to the subrecipient.
7. When subrecipients have A-133 Audit Findings. CGA may consider issuing a management decision on audit findings, when appropriate, and evaluating subrecipient corrective actions in response to audit findings. Corrective actions cited by the subrecipient should be verified to ensure subrecipient compliance and may necessitate on-site monitoring. The CGA may also consider whether subrecipient audit findings necessitate adjustment of their own records.
8. Subrecipients not subject to A-133 audits, including foreign and for-profit entities. Because A-133 Audits do not apply to foreign or for-profit subrecipients, Chapman may establish its own requirements, as necessary, to ensure compliance by such subrecipients CGA should consider using subrecipient monitoring techniques similar to those used for entities subject to A-133 Audits. Contracts with foreign or for-profit subrecipients should describe applicable compliance requirements and responsibilities. All foreign or for-profit subrecipients not subject to A-133 audits will be required to complete a questionnaire in order for Chapman to assess capability of compliance with federal regulations. These may also include pre-award audits, periodic or regular on-site visits or invoice and expenses-to-budget review.

### Subrecipient Contract Language Advice

All subcontracts under federal government primary contracts and grants should contain language, substantially as set forth below, requiring subcontractor to report promptly to Chapman any problem related to Chapman subcontracts identified in their annual A-133 Audits and to submit corrective action plans.

**Audit.** Subcontractor agrees to comply with the requirements of OMB Circular A-133. Subcontractor further agrees to provide Chapman, in a timely manner, with access to any of the independent auditors' reports that present instances of noncompliance with federal laws and regulations that bear directly on the performance or administration of this Subcontract. In cases of such noncompliance. Subcontractor will provide copies of responses to auditors' reports and plan for corrective action(s). All reports prepared in accordance with requirements of OMB Circular A-133 shall be available for inspection by representatives of Chapman or the government during normal business hours. The Subcontractor agrees that it should keep for a period of three (3) years following completion of the project, or until all litigation, claims or audit findings have been resolved a final action is taken, such records may be reasonably necessary to facilitate an effective audit.

The Subcontractor shall cooperate with Chapman in resolving questions that Chapman may have concerning the auditors' report and plans for corrective actions(s).