

LSU Health Sciences Center New Orleans

Subrecipient Monitoring

BACKGROUND

Subrecipient Monitoring

Subrecipient monitoring is required to safeguard the assets of the university and to ensure that performance goals are attained and to meet the requirement of the 2 CFR section 200.332 requirement for us to evaluate each Subrecipient for risk of non-compliance and to monitor the activities of the Subrecipient as necessary to ensure that the Subrecipient is using funding for authorized purposes, in compliance with federal statutes regulations and the terms and conditions of the subaward agreement and that the subaward performance goals are achieved.

Subrecipient verses Contractor

Prior to Contract or New Year Contract Amendment the department should evaluate if the Subrecipient meets the requirement of a Subrecipient and if deemed a Subrecipient -Risk Assessment is necessary.

2 CFR Part 200 definitions:

Subrecipient: 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. These entities have characteristics that are responsible for adherence to applicable Federal program requirements specified in the Federal Award.

A Subrecipient has the ability to:

- Determine who is eligible to receive what Federal assistance
- Have performance measured in relation to whether objectives were met
- Have responsibility for programmatic decision making
- In the agreement, allowed to use Federal funds to carry out a program for a public purpose specified in authorizing statute, as opposed to providing good or services for the benefit of the pass-through entity.

Contractor: An entity that receives a contract by which a non-Federal entity purchases property or services needed to carry out the project or program under a Federal award. These entities have characteristics that are not subject to compliance requirements of the Federal program as a

result of the agreement.

A Contractor normally:

- Provides a good and/or service within normal business operations
- Provides similar goods or services to many different purchasers
- Operates in a competitive environment
- Provides goods or services that are ancillary to the operation of the program

Risk Assessment

LSUHSC-NO conducts risk assessments on its Subrecipient to help ensure that potential risks are identified and appropriate monitoring is conducted to mitigate those risks. If the identified risks are significant, LSUHSC-NO can impose specific conditions (UG, § 200.207) during the course of the award.

Risk Assessments should be processed on the following Subrecipient:

- Funds provided for the subaward agreement are used with Federal Funds and
- New Subaward Agreement or
- New Funding year for Subaward Agreement or
- No Cost Extension for another year or
- Increase in funding over 25% that is not part of a carryover funds

Risk Assessment form is located on the Sponsored Projects Accounting (SPA) website:

<https://www.lsuhs.edu/administration/accounting/questionnaire.aspx>

Department Responsibility

Risk Assessment forms are completed by the Principal Investigator and Department Business Manager before submitting to SPA. The department will fill out the top section which includes the funding information, funding amount to be issued and the PeopleSoft project number. The Principal Investigator and Business Manager will check off the risk categories associated for the criteria listed under the department section. Principal Investigator will certify the form by signing at the top under Signature for Principal Investigator.

No questionnaire and risk evaluation

If the questionnaire and the risk evaluation on a Subrecipient have not been received, the Subrecipient should be considered a High Risk Subrecipient and departments should collect full documentation at time of invoice along with a signed High Risk Subrecipient Invoice Certificate form.

For-Profit or Foreign entities

For-Profit and Foreign entities are accountable to the pass-through entity for the use of Federal Funds provided. These entities are not subject to the audit requirements of OMB Uniform Guidance. To ensure accountability for the use of federal funds, LSUHSC has the right to request backup documents for any invoice.

SPA may request from the departments to obtain a current SAM registration, an updated questionnaire to be completed by the Subrecipient and possibly a copy of the most recent Audit Report from the Subrecipient should the report not be available on the Federal Clearing House website.

Questionnaire for Subrecipient is located on our website:

<https://www.lsuhs.edu/administration/accounting/questionnaire.aspx>

Sponsored Projects Accounting (SPA) Responsibility:

Assess Risk on Subrecipient for Subaward – SPA will review the Risk Assessment provided by the department, the SAM registration, any current Audit Reports of the Subrecipient that are available at the time, and a questionnaire completed by the Subrecipient. SPA will complete the risk categories associated for the criteria under Sponsored Projects. SPA will then assess each Subrecipient as either Low, Medium or High risk. The approved risk assessment will be sent back to the department.

For Low Risk and Medium Risk – LSUHSC-NO reserves the right to request a desk audit on any invoice during the Subaward invoicing period. A desk audit could include but not limited to full documentation on an invoice such as, general ledger(s), receipts, vendor invoices, prior approval documentation, time & effort report certifications, time sheets, travel documentation, equipment bids, etc.

For High Risk – LSUHSC-NO requires full documentation on an invoice at submission. Full documentation includes, but is not limited to, general ledger(s), receipts, vendor invoices, prior approval documentation, time & effort report certifications, time sheets, travel documentation, equipment bids, etc.

For Profit & Foreign Entities – LSUHSC-NO requires full documentation. Full documentation includes, but is not limited to, general ledger(s), receipts, vendor invoices, prior approval documentation, time & effort report certifications, time sheets, travel documentation, equipment bids, etc.

- **Once a year**, SPA will send out request to current Subrecipient to complete the Entity Questionnaire
- **Once a year**, send out request to current Subrecipient to complete a Subrecipient Monitoring Certification Letter. This letter is to ensure that Subrecipient expending \$750,000 or more in Federal awards during the sub recipient’s fiscal year have complied to OMB Uniform Guidance §200.501. This process will usually take place during the second half of LSUHSC-NO fiscal year. Should this not be received back to LSUHSC-NO, SPA will review the Federal Clearing House, at time of risk assessment, to verify if Subrecipient had any audit findings for most current fiscal year. Sponsored Projects may request a copy of the Subrecipient’s audited financial statements if the audit report is not available on this website.
- **When sub recipients have audit findings** – SPA will consider this during the risk assessment and may request follow up on any Subrecipient with audit findings that relate to Federal Awards. If deemed necessary, SPA may request Subrecipient to provide audit responses and corrective action plan.

Subrecipient Invoicing and Monitoring of Expenditures:

This policy is a two-step process. The first step is to monitor and certify the invoices are received by the Subrecipient and second step is to perform a desk audit as deemed necessary by the risk assigned.

Invoices received directly from Subrecipient

- Department reviews and approves invoices
- PI will review and certify invoices
- Department forwards invoices to SPA for final approval

Invoices received from Sponsored Project Accounting

- Department reviews and approve invoices
- PI will review and certify invoices
- Department forwards invoices to SPA for approval
- SPA submits invoices to AP for payment

Department Responsibility

Fiscal Agents, as defined under CM21, and Principal Investigators are responsible to

review invoices and expenses for allowable cost, reasonableness, and compatibility with the subaward agreement and budget. Also, they are also responsible to monitor the technical aspects of the award and maintain contact with the Subrecipient on progress of the research being performed. The fiscal agent is responsible to supply the proper information on the Subrecipient invoice in order for accounts payable to process the invoice for payment. Principal Investigator and the Fiscal Agent are both responsible to certify each Subrecipient invoice before submitting the invoice to SPA for review and payment to be processed.

In Reviewing Subrecipient Expenditures, the Fiscal Agents are to:

- Ensure invoices are submitted in accordance with subaward requirements
- Ensure that duplicate costs or invoices have not been submitted
- Ensure invoices only contain expenses that are allowable, allocable and reasonable
- Ensure other information required by contract have been received
- Review expenditures are in agreement with budget and/or under a 25% difference
- Ensure Sub-recipients with expenditures exceeding 25% threshold, per each budget category, process a request to LSUHSC-NO to revise budgets.
- Ask any questions deem necessary to Subrecipient for expenditures invoiced
- Ensure **Final invoice** is marked **“Final”**
- Ensure **Final invoice** has a **signed Certificate of Sub-Recipient** attached
- Ensure **High Risk, Foreign & For Profit Subrecipient Invoices** have backup documents for the submitted invoice and that they have reviewed the documentation for the submitted invoice
- Ensure that agreements requiring **cost sharing** are appropriately reflected and attached to the information on the invoice
- Ensure that **travel expenditures** were only for approved items within the originally agreed upon subaward agreement. Should anything else arise, Subrecipient should request a re-budget or obtain prior authorization from LSUHSC-NO. Please be mindful as to reasonableness and allowable cost as according to the Federal Sponsoring Agency rules and guidelines.
- Ensure that **equipment purchased** was part of the agreed upon in the subaward agreement and if not, that proper approval was obtained
- **Re-budget and prior authorization** from LSUHSC-NO. Please make sure that sub-recipient with any significant budget changes has obtained the proper LSUHSC-NO prior approval and/or Federal Sponsoring agency if deemed necessary
- Ensure that any **changes in Principal Investigator or Key Personnel** have been reported to LSUHSC-NO in writing and that the Federal Sponsor has been notified, if necessary, according to the Federal Award/Contract Agreement

In Reviewing the Subrecipient Technical Information, the Principal

Investigator is to:

- Ensure that the technical progress reports are obtained and reviewed
- Ensure that the scope of work is being met according to the agreement
- Ensure that regular contact is made between Subrecipient and LSUHSC-NO and that this is documented
- Ensure that the payment request seems reasonable in relation to the progress performed

Should a Principal Investigator and/or Fiscal Agent feel the Subrecipient is not meeting milestones and/or not performing the scope of work in the agreement, please notify SPA immediately.

Clarification of invoice charges – The Principal Investigator and/or Fiscal Agent must resolve any questionable charges prior to certification and submission of invoices for payment. Should the department feel that an expenditure is not allowable and should not be paid, the department should contact the Subrecipient and request for an invoice to be revised and/or the fiscal agent may manually reduce the invoice total before certification with a proper justification as to why the invoice was reduced.

Certifying Subrecipient Expenditures

- Fiscal Agent is certifying that the invoice request is allowable, allocable, reasonable and appropriate for the work being performed
- Principal Investigator is certifying that he/she is satisfied with the progress and performance conducted by the Subrecipient on the agreement and expenditures appear to be reasonable within that performance

Invoice Requirements for Payment

All invoices should include the following before being forwarded to SPA.

- LSUHSC-NO project number
- LSUHSC-NO PO number
- Departmental certifications
- Final invoices should be stated as “FINAL”
- Final invoice should have Signed certificate of Sub-recipient
- High risk, Foreign and For Profit Subaward Invoices should have full documentation
- Subaward invoices requiring cost share, have cost share information attached

Certified invoices should be sent to nosponproj@lsuhsc.edu

RE: Subaward project number, Subrecipient Name, Invoice Number and/or time period covered by the invoice. For example: “RE: Invoice (Project Number), (Subrecipient Name), (Invoice

Number), (Month/Year) covered by invoice”.

Certificate of Sub-recipient forms are located on our website: These forms should be completed and certified by the Subrecipient Principal Investigator and Financial representative at time of final invoice and/or desk audit.

https://www.lsuhs.edu/administration/accounting/sp_subrecipient_monitoring.aspx

Sponsored Project Accounting (SPA) Responsibility

Sponsored Projects Accounting (SPA) will review the invoice received by the department for the following:

- Ensure proper certification have been received by department
- Ensure amount invoiced does not exceed the contract limit
- Ensure appropriate documentation is received as per the risk level assessed
- Review backup documentation received by department
- Review expenditures categories for anything that appears to be out of the norm or questionable

SPA may request a copy of the Subrecipient’s ledger and/or supporting documents if deemed necessary. SPA may also request from the department justification on an expense before invoice is approved.

Once SPA approves the invoice, SPA will forward the invoice to Accounts Payable for payment and notify the department.

Desk Audit

Desk audits are a review of documentation provided to support the invoice submitted by the Subrecipient. The number of desk audits performed is usually based off the risk assessed to the Subrecipient at time of agreement or amendment.

Desk Audit Requirements for Risk Level:

- **Low Risk – (Effective 7/1/2022)** Due to certification process by both the LSUHSC-NO fiscal agent and Principal Investigator, LSUHSC-NO will not on a routine basis perform a desk audit on a Low Risk Subrecipient. However, LSUHSC-NO does reserve the right to do so if deemed necessary.
- **Medium Risk** - will usually require 1 desk audit per contract agreement period.
- **High Risk** - will require full backup documentation to support invoice.

Department Responsibility

As per CM21 it is the responsibility of the fiscal agent to process the desk audit.

Fiscal Agent Desk Audit Responsibility:

- To gather and review the documentation provided by Subrecipient
- Review the documents for accuracy as to the expenses on the invoice
- Review the invoice is within 25% of the approved budget
- Evaluate Fringe and verify it is being charged appropriately
- Evaluate Indirect calculation for appropriate rate according to agreement
- Obtain signed Certificate of Subrecipient from Subrecipient
- Verify costs are incurred within the period of performance
- To obtain any justification for unusual expenditures or questionable cost
- To verify proper authorization was obtained for travel or equipment

Note: Principal Investigator and/or Fiscal Agent must resolve any questionable charges. The department should request clarification and/or detailed justification by the Subrecipient for any charges which appear to be unallowable, unusual, or excessive. If the Principal Investigator or Fiscal Agent feel that further review is necessary or that LSUHSC-NO is owed a refund by the Subrecipient, then the department should contact SPA.

Desk Audit Documentation Needed to be submitted to SPA:

- Desk Audit Form should be completed by the Fiscal Agent
- Copy of fully approved and certified invoice being audited
- For cost reimbursement invoice – full documentation should include, but not be limited to receipts, time & effort reports, time sheets, travel documentation, equipment bids, ledgers, copies of checks, fee schedules, etc.
- For fixed price contract or milestone contracts - progress reports can be obtained and certified by the Subrecipient and LSUHSC-NO Principal Investigators
- Any justifications submitted by Subrecipient for expenditures
- Certified Subrecipient form completed by the Subrecipient

Desk Audits should be sent to nosponproj@lsuhsc.edu with reference in the email subject line: "RE: Desk Audit (project number) (sub-recipient name)"

Sponsored Project Accounting Responsibility for Desk Audit:

- SPA will review the desk audit and the documentation provided
- SPA may request more documentation if deemed necessary
- SPA will, on a regular basis, reach out to the departments to remind them of their desk audit responsibility
- SPA will keep a log of the Subrecipient in need of desk audit and the status of such desk audits
- Should desk audits not be received, SPA will escalate the request for desk audit to the Principal Investigator, Dean, and Department Head as deemed necessary

Helpful Links

1. [OMB Uniform Guidance](#)
2. [Audit requirements section](#) - §200.501
3. [Allowable costs explanation](#) - §200.403
4. [Reasonable costs explanation](#) - §200.404
5. [Allocable costs explanation](#) - §200.405
6. [Subrecipient and contractor determinations](#) - §200.331
7. [Requirements for Pass-Through entities](#) - § 200.332
8. [Fixed Amount Subawards](#) - § 200.333