



SUBJECT: Subcontract and Monitoring Policy	Effective Date: 09/16/2009	Policy Number:	
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	Responsible Authorities: Vice President, Research Director, Research Accounting		

I. Background

Florida Atlantic University is required by OMB Circular A-133, under the Audits of States, Local Governments and Non-Profit Organizations, as a pass-through entity to monitor subrecipients. A subrecipient, as defined by OMB Circular A-133, is a non-Federal entity that receives Federal awards from a pass-through entity to carry out a Federal program.

II. Purpose

Establish uniform subcontract (subrecipient) and monitoring procedures for both Federal and Non-Federal awards in order to provide guidance and to ensure compliance with OMB Circular A-133, OMB Circular A-21, OMB Circular A-110, university policies and state regulations.

III. General Statement

Research Accounting is available to answer questions and provide assistance regarding the requirements of the Subcontract and Monitoring Policy.

IV. Policy

A. Determining a Subcontractor:

The PI is the expert in determining whether a subcontractor is necessary for the performance of a project. The Purchasing Manual outlining the bidding process is available at www.fau.edu/purchasing/files/Purchasing_Manual.pdf. Please refer

to the staff assignment webpage (<http://www.fau.edu/purchasing/contact.php>) or contact the Purchasing Office at (561) 297-3080 regarding questions.

B. Subrecipient Eligibility and Approval:

All potential subrecipients are required to fill out a Subaward Application Form <http://www.fau.edu/research/ocg/procedures/files/sc-application.doc> regardless of the funding type. The application includes the following subrecipient information:

- PI contact, research subjects, environmental health & safety research safe guards and export controls (standard form)
- Scope of Work
- Detailed Budget (standard form)
- Financial Conflict of Interest (standard form)
- Financial Profile (standard form)

Note: If a subcontractor application has not been submitted in full during the proposal stage, an updated application will be required in order to issue a subcontract agreement.

1. The PI reviews the Subaward Application Form <http://www.fau.edu/research/ocg/procedures/files/sc-application.doc> and submits a completed and authorized Subcontract Verification Form – Proposal Review <http://www.fau.edu/research/ocg/procedures/files/sc-prop-review.doc>. This verification confirms that the proposal submitted meets the project requirements in order to conduct the research project and the budget submitted is allowable, allocable, reasonable and appropriate for the work to be performed.
2. Upon receiving the Subaward Application Form and Subcontract Verification Form, Sponsored Programs will review these forms to determine eligibility. A Subcontract Risk Assessment Form <http://www.fau.edu/research/ocg/procedures/files/sc-assessment.doc> is used as a checklist to review the following areas (Note: this listing is not inclusive):
 - a. Determine whether a vendor or subcontractor by considering the following: (acquisition of goods and services).

Subrecipient: Characteristics indicative of a goods or services received by a subrecipient when the organization:

1. Has its performance measured against the objectives of the Federal Program;
2. Has responsibility for programmatic decision making;
3. Has responsibility for adherence to applicable Federal program compliance requirements; and
4. Uses the Federal funds to carry out a program of the organization as compared with providing goods or services for a program of the pass-through entity.

Vendor: Characteristics indicative of goods and services received by a vendor are when the organization:

1. Provides the goods and services within normal business operations;
 2. Provides similar goods and services to many different purchasers;
 3. 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.
- b. Verify whether or not the organization is debarred by using the Excluded Parties List website at (<http://www.epls.gov/>). If the subcontractor has been debarred, Sponsored Programs will notify the PI of the subcontractor's ineligible status for the project.
 - c. Perform a budget evaluation (cost analysis) on the detailed budget to determine if funding request is allowable, allocable and reasonable.
 - d. Review the organizations most current A-133 Audit for material weaknesses, reportable conditions and findings (if applicable). If needed, Research Accounting will provide assistance in reviewing this section.
 - e. Determine if there are export control issues.
 - f. Determine if there is a Financial Conflict of Interest.
 - g. Assess the level of risk associated with the proposed subrecipient (low, medium, high). Note: "High," risk level requires approval from General Counsel.
3. Sponsored Programs will inform the PI of approval and the risk level assessed for monitoring purposes.
 4. Upon receiving subrecipient approval the PI will request a Letter of Intent (LOI) to be submitted with the proposal.
 5. With an award notification and approval in place, Sponsored Programs will negotiate an agreement with the subcontractor.
 6. Sponsored Programs will prepare the subcontract agreement for execution.
 7. Once executed, the Principal Investigator or designee will need to submit a University Requisition along with a Sponsored Programs Exemption Form <http://www.fau.edu/research/osr/files/sc-exemption.doc> (if applicable) to Research Accounting for approval. The requisition will be forwarded to Sponsored Programs for approval (and exemption memo <http://www.fau.edu/research/osr/files/sc-exemp-memo.doc>, if needed) and forwarded to Purchasing for final processing.
- C. Monitoring Subreceipts (Federal and Federal Flow-Through Only)
1. The Principal Investigator is responsible for the following subrecipient monitoring areas:

- a. Establish and maintain channels of communication with the subrecipient.
 - b. Perform on-site visits; if applicable.
 - c. Review that invoices are:
 1. Submitted in a timely manner; and
 2. Invoices are approved by the PI or designee to be forwarded to Accounts Payable for payment
 - d. Ensure that expenses are:
 1. Allowable, allocable and reasonable (refer to the Criteria for the Allowability of Costs on Federal Awards <http://www.fau.edu/research/ocg/procedures/files/sc-allowability.doc> for guidance);
 2. Incurred within the period of performance;
 3. Aligned with technical progress; and
 4. Cost-sharing is appropriately reflected, if applicable
 - e. Review technical progress to ensure performance goals are achieved; and identify any problems in carrying out the project. Note: The PI is required to fill out a Semi-Annual Subcontract Verification Form <http://www.fau.edu/research/ocg/procedures/files/sc-verification.doc> issued by Research Accounting.
 - f. The PI must contact Sponsored Programs to approve no-cost extension or amendments.
 - g. The PI must contact Sponsored Programs if changes occur with the prime agency or subrecipient. If the scope of work changes significantly, Sponsored Programs will advise whether a new or modified subaward is needed.
 - h. Upon close-out of subcontract agreement, the PI must submit a Close-out Subcontractor Verification Form <http://www.fau.edu/research/ocg/procedures/files/sc-close-out.doc>, to document the PIs confirmation that all requirements were met by the subrecipient.
2. Research Accounting will be responsible for the following subrecipient monitoring areas:
- a. Maintain documentation for monitoring efforts.
 - b. Issue standard letters for requesting and reviewing annual A-133 Audit Reports or Financial Statement Reports for subrecipients. A Subcontract Monitoring Form <http://www.fau.edu/research/ocg/procedures/files/sc->

[monitoring.doc](#) is used to document the applicable fiscal year information. This form includes: material weaknesses, reportable conditions, current audit finding(s) and prior audit finding(s), when applicable.

1. If a finding is reported and is related to the project that FAU has subcontracted, General Counsel will be requested to make a determination whether or not a management decision is required. The management decision states the University's concerns that the subrecipient carrying out the project or potential area may need to be monitored more rigorously.
 2. If a management decision is issued, Research Accounting will notify the Principal Investigator and Sponsored Programs.
- c. Research Accounting will assist the PI in carrying out their monitoring responsibilities by issuing and maintaining the Subcontractor Verification Forms for the semi-annual reviews and close-outs.

V. Definitions

Refer to <http://www.fau.edu/research/ocg/procedures/files/sc-definitions.doc> for a list of definitions associated with subcontracts and monitoring.

VI. Accountability

A. Principal Investigators / Research Accounting / Sponsored Programs

Refer to <http://www.fau.edu/research/ocg/procedures/files/sc-allowability.doc> for a summarized listing of subcontract and monitoring responsibilities.

VII. Annual Review of Procedures Manual

The Subcontract and Monitoring Policy will be reviewed annually.