

## **Subaward Risk Assessment & Monitoring**

These standards apply to University of Wisconsin-La Crosse (UWL) subawards supported by federal funds to ensure compliance with the Uniform Guidance (UG) (2 CFR 200); this includes subawards issued to other institutions for which UWL is the pass-through entity and subawards for which UWL is the subrecipient. In general, subawards subject to these requirements are those for which a notice of award was received by the pass-through entity (prime award recipient) on or after December 26, 2014. The effective date of the Uniform Guidance varies somewhat between federal agencies, and so principal investigators (PIs) should consult with the Office of Research & Sponsored Programs (ORSP) to determine which regulations apply to a specific subaward.

### **Definitions**

*Closeout:* Process by which the federal awarding agency or PTE determines that all applicable administrative actions and all required work of the federal award have been completed and takes actions as described in 2 CFR 200.343

*Contract:* A legal instrument by which a non-federal entity purchases property or services needed to carry out the project or program under a federal award; it is distinct from a federal award or subaward

*Contractor:* An entity that receives a contract

*Pass-through entity (PTE):* A non-federal entity that provides a subaward to a subrecipient to carry out part of a federal program; also referred to as the prime or lead awardee or institution

*Recipient:* A non-federal entity that receives a federal award directly from a federal awarding agency to carry out an activity under a federal program; does not include subrecipients

*Subaward:* An award provided by a PTE to a subrecipient for the subrecipient to carry out part of a federal award received by the PTE; does not include payments to a contractor or payments to an individual that participates in/benefits from a federal program

*Subrecipient:* A non-federal entity that receives a subaward from a PTE to carry out part of a federal program; does not include an individual that participates in/benefits from such a program

*Source:* 2 CFR 200 Subpart A

## Timing of Subaward Requirements

For subawards on which UWL is the PTE, the following items must be completed, returned, and approved by UWL before the subrecipient begins work on the project:

1. [Subaward Data Collection Form](#) - to be completed by subrecipient
2. [Subrecipient Risk Assessment Matrix](#) - to be completed by UWL administrative offices
3. Risk Management Plan (if applicable) - to be completed by UWL administrative offices
4. Subaward Agreement - to be completed by subrecipient and UWL administrative offices

For subawards on which UWL is the subrecipient, items that must be completed before the UWL PI begins works on the project are contingent upon PTE requirements.

## Risk Assessment of Subrecipients

Applicable UG section: 200.331

On awards for which UWL is the pass-through entity (PTE), a risk assessment is conducted each time a new subaward is issued and may be conducted if a modification is made to an existing award (e.g., change in scope, budgetary changes). The risk assessment is conducted after an award is issued by a federal agency and before a subrecipient's work on a project commences. The assessment is guided by and documented in the UWL Subrecipient Risk Assessment Matrix, which assigns quantified, weighted risk scores to criteria related to a subrecipient's institutional infrastructure, resources, and prior history of federal funding. The Subrecipient Risk Assessment Matrix is compiled by ORSP following the subrecipient's completion of the Subrecipient Data Collection Form. The risk assessment score will guide actions that may be required to manage the risk associated with a subaward arrangement:

- *Low risk subrecipients:* No further action is necessary.
- *Medium risk subrecipients:* As appropriate, input will be gathered from relevant stakeholders and administrative contacts (e.g., PI, ORSP, Grant Accountant, Contract Administrator/Risk Manager, Department Chair/Unit Director, Dean/Division Head). If deemed appropriate by the Associate Vice Chancellor for Academic Affairs, a Subrecipient Risk Management Plan will be developed.
- *High risk subrecipients:* As appropriate, input will be gathered from relevant stakeholders and administrative contacts (e.g., PI, ORSP, Grant Accountant, Contract Administrator/Risk Manager, Department Chair/Unit Director, Dean/Division Head) to develop a Subrecipient Risk Management Plan.

The completed Subrecipient Risk Assessment Matrix is signed by the PI, ORSP Director, Grant Accountant, and other signatories as applicable (see form). If a subrecipient's risk score defines them as medium or high risk, the form additionally requires signatures from the PI's Department Chair/Unit Director, College Dean/Division Director, and Associate Vice Chancellor for

Academic Affairs. The form for high risk subrecipients must additionally be signed by the Chancellor's Cabinet member for the relevant division.

In addition, the Grant Accountant is responsible for requesting and reviewing subrecipients' annual OMB single audit reports if necessary. The Grant Accountant may review all audited statements with material findings, qualified opinions, and for foreign institutions. Determinations will be made by the Grant Accountant regarding how to address any issues after this review and will notify ORSP. The Grant Accountant and ORSP work closely on these matters.

## **Contractor vs. Subrecipient Determination**

Applicable UG sections: 200.23, 200.92, 200.93, 200.331

The pass-through entity is responsible for determining whether a given arrangement constitutes a subaward (carrying out an intellectually significant portion of the federal award, creating a financial assistance arrangement) or contractor agreement (obtaining goods and services, creating a procurement relationship). The following form is used by ORSP to document whether a relationship is a subaward or contractor agreement: [FDP Checklist to Determine Subrecipient or Contractor Classification](#). Consult ORSP for assistance in determining whether a transaction/institutional partnership is a subaward or a contractor agreement.

## **Conflict of Interest**

Applicable UG section: 200.112

When UWL acts as a pass-through entity, UWL is responsible for screening and managing potential conflicts of interest arising between the PI and/or UWL with the subrecipient. This is documented within the Subrecipient Risk Assessment Matrix.

## **Subaward Indirect Costs**

Applicable UG sections: 200.331, 200.414

The following rules related to indirect costs on subawards apply to all competitive proposals and all new/renewal awards on or after December 26, 2014:

1. If a federal program or a non-profit sponsor has a published statutory indirect cost cap, or a reduced rate that has been approved by the agency head and listed in a request for proposals (RFP), that reduced rate is used by both UWL and all subrecipients. The UWL PI is responsible for forwarding documentation of the cap or restriction to ORSP prior to proposal submission.
2. In all other cases, the following rules apply in order of precedence:
  - a. The subrecipient's federally negotiated indirect cost rate is used. This applies both to subawards UWL receives from other entities (our applicable negotiated indirect cost rate must be used), and to subawards issued by UWL (we may not

reduce indirect costs for subrecipients who have their own federally negotiated indirect cost rate).

- b. If the subrecipient does not have a federally negotiated indirect cost rate, a 10% of modified total direct costs (MTDC) de minimus indirect cost rate must be used. Unless otherwise dictated by the federal sponsor, this rate is available to both domestic and foreign subrecipients (e.g., NIH caps foreign subrecipients at 8% MTDC).

## **Cost-Reimbursable and Fixed Price Subawards**

Applicable UG section: 200.201

For awards on which UWL is the pass-through entity, subawards are issued on a cost-reimbursable basis. These requirements apply to both federal sponsors and non-federal sponsors.

For fixed price subawards for which UWL is the subrecipient, an internal detailed budget estimate is required prior to account set-up. The budget estimate must be approved by the PI's/co-PI(s)' department chair(s)/unit director(s), dean(s)/division director(s), and the institutional signatory in the Office of Research & Sponsored Programs.

## **Subrecipient Progress Report Tracking & Monitoring**

Applicable UG sections: 200.328, 200.331

For awards on which UWL is the subrecipient, the PTE must specify any required financial and/or programmatic reports needed during the establishment of the initial subaward agreement.

For awards on which UWL is the PTE, the following requirements apply:

- Financial Reports/Invoices  
Requesting and tracking financial reports (invoices) from subrecipients is not a new requirement under the UG, and UWL has systems in place to meet this requirement. Please consult the Grant Accountant for guidance.
- Programmatic Reports  
For awards on which UWL is the PTE, PIs will need to notify the Grant Accountant whether they want to require programmatic reports from their subrecipient prior to the issuance of a subaward agreement. Alternately, the federal sponsor may require programmatic reports to be provided by the subrecipient to the PTE. This requirement is then documented as a term of the subaward agreement. If subrecipient programmatic reports are required, the PI must:
  1. collect reports from the subrecipient;

2. document their review of reports (e.g., an email to the subrecipient indicating the report has been reviewed and is acceptable or annotating the report itself with the PI's signature and date);
3. locally retain the reports in the PI's or departmental records as part of the regular retention schedule for sponsored project files; and
4. document they have received and reviewed all required reports when approving subaward invoices for payment.

For awards on which UWL is the PTE, a copy of a subrecipient's OMB Single Audit or third-party financial audit is requested as part of the Subaward Data Collection Form. The Grant Accountant is responsible for requesting and reviewing these reports with frequency indicated by the Subrecipient Risk Management Plan. The Grant Accountant may review all audited statements with material findings, qualified opinions, and for foreign institutions. The Grant Accountant will make determinations on how to address any issues after this review and notify ORSP and the PI.

PIs also play a major role in subrecipient monitoring by verifying progress and ensuring invoices submitted by subrecipients are appropriate. A PI's signature on subrecipient invoices certifies that the subrecipient's progress is satisfactory; if applicable, any subrecipient programmatic reports due during the period of time covered by the invoice have been received and are satisfactory; and the subrecipient is compliant with the terms of the subaward agreement. PIs are responsible for informing the Grant Accountant if they have received an invoice they cannot sign because of a missing or inadequate report (if applicable) and/or due to dissatisfactory subrecipient progress. In some cases, subaward agreement terms will be modified to manage institutional risk (e.g., require more frequent or detailed invoicing or reporting, smaller more frequent obligations of funding) or to meet the specialized needs of a subrecipient (e.g., help them manage cash flow). PIs should inform the Grant Accountant of any special needs, concerns, or requirements arising with their subrecipients either before a subaward is issued or as a subaward progresses.

Subrecipients who do not remain compliant with the terms of a subaward agreement and/or UG regulations risk non-payment of invoices, termination of the subaward agreement, and/or debarment from participation in future agreements with UWL.

## **Prompt Subaward Payments**

Applicable UG sections: 200.207, 200.305, 200.338

PTEs are expected to issue payment on allowable subrecipient costs within 30 calendar days after receipt of the billing. To ensure this payment timeline is met on subawards for which UWL is the PTE, PIs are asked to review and approve subrecipient invoices within 10 days of their receipt and return the approved invoice to the Grant Accountant for payment. If a PI believes payment should be withheld from a subrecipient for noncompliance with a subaward agreement, they should contact the Grant Accountant immediately. Under certain limited conditions detailed

in 2 CFR 200, payment may be temporarily withheld while required remedial activities are completed by the subrecipient.

## **Subaward Closeout**

Applicable UG section: 200.343

PTEs are required to submit final reports (financial and progress) within 90-120 days after project termination, contingent upon federal agency requirements. To ensure timely submission of final reports for awards on which UWL is the PTE, subaward invoices and final reports must be submitted to the Business Office within 45 days of the project end date to allow the university to meet this deadline. PIs must be diligent in monitoring the receipt and approval of subrecipient progress reports and final invoices for receipt within this 45-day deadline.