

PROCEDURE FOR MONITORING SUBRECIPIENTS

Background

The Office of Research, in collaboration with the principal investigator, project bookkeeper, department chair, dean, grant accountant, and the university internal audit (as needed) is responsible for the overall fiscal and programmatic monitoring of research award recipients (OMB Circular A-110, “Grants and Agreements with Institutions of Higher Education” and TCA ¶12-4-109 (d) and Finance and Administration Rules 0620-3-8 -.03, “Contract Management and Subrecipient Monitoring”). The following guidelines and procedures are provided to assist faculty and staff in ensuring that subrecipients conduct their portions of research projects in compliance with applicable laws, regulations and terms and conditions of awards and subawards, and that project costs incurred by subrecipients are reasonable (necessary), allowable, and allocable (benefits and advances the project).

Fiscal Monitoring includes, but is not limited to:

- 1) reviewing the contractor’s invoices;
- 2) comparing budgets and/or budget limits to the actual costs;
- 3) obtaining reasonable documentation that services billed were actually delivered according to the contract; and
- 4) comparing bills with supporting documentation to determine that costs were allowable, necessary and allocable.

Programmatic monitoring may include any or all of the following:

- 1) reviewing the service provisions of the contract to determine what the contractor is to provide and the desired quality;
- 2) reviewing the contractor’s reports and other materials to determine if services are being provided;
- 3) interviewing direct delivery staff and others to determine if the services are being performed according to the contract; and
- 4) conducting on-site reviews when appropriate to check the nature and quality of the services provided.

Policy

Quarterly, the Office of Research will review all active subcontracts for which monitoring might be mandated and determine those that are deemed to require closer scrutiny based on the size of the award, award complexity, sensitivity of the work, prior experience with the subrecipient, and sophistication of the subrecipient’s systems and administrative operations. Large awards with annual budgets of more than \$500K would receive substantial and frequent review and monitoring than mid-size awards of approximately \$100K to \$500K, and smaller awards of less than \$100K would receive general review with the least frequent oversight.

Implementation

The specific duties of those individuals responsible for monitoring an award are as follows:

The *principal investigator* (PI) is responsible for monitoring subrecipients to ensure compliance with federal regulations, and both prime and subrecipient award terms and conditions. The PI is also responsible for the timely review of technical performance reports to ensure that specified deliverables are met in a timely manner. Any unusual or unforeseen items should be investigated and documentation should be retained in department files.

The appropriate *dean and department chair* have responsibility for approving the programmatic and fiscal monitoring of its sponsored research and award recipients.

The *project bookkeeper* has the responsibility for assisting the PI in discharging their monitoring responsibilities, for reviewing invoices from subrecipients and questioning expenditures if necessary, and for maintaining documentation of monitoring efforts. The project bookkeeper should periodically review invoices and expenses-to-budget for cost-reimbursement subagreements. Invoices should show both current period and cumulative expenses to budget. The bookkeeper should periodically compare subrecipient's invoices to established subaward budgets, and clarify invoiced charges. The project bookkeeper will make the PI aware of current overspending or large balances due to late billing by subcontractors or vendors.

All invoices shall be submitted using contractor's standard invoice, but at a minimum shall include current and cumulative costs (including cost-sharing), subaward number, and certification as to truth and accuracy of invoice. Invoices that do not reference University's subaward number shall be returned to contractor. Invoices and questions concerning invoice receipt or payments should be directed to the appropriate party's grant accountant.

A final statement of cumulative costs incurred, including cost sharing, marked "FINAL" must be submitted to the University's grant accountant NO LATER THAN sixty (60) days after subaward date. The final statement of costs shall constitute subcontractor's final financial report.

Evidence of regular review of invoices by both the PI and the project bookkeeper should be in place and retained on file. Evidence can be in the form of PI initials or authorizing signature on invoices.

The *grant accountant*, in collaboration with the project bookkeeper, is responsible for reviewing invoices, submitting the invoices in a timely manner for payment as articulated in the agreement with the prime contractor, and resolving any issues that arise with respect to billing or invoicing. The grant accountant will send notices and reminders to the PI and project bookkeeper when awards are about to expire. The notices will include reminders of technical and financial report due dates, and reminders for the project bookkeeper and PI to work with any subcontractors to begin the closeout process. A Subcontract Monitoring form is to be used on all grants and contracts.

The *Office of Research* is responsible for any changes in the terms, conditions, or amounts cited in the subaward agreement and for the overall programmatic and fiscal monitoring of its sponsored research and award recipients.

The *Office of Internal Audit* will be responsible for conducting audits on contracts when requested by the Office of Research. Therefore, all subcontracts under federal government prime contracts and grants should contain language such as the following:

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

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Please send questions to RESEARCH@tntech.edu
