

WASHINGTON STATE UNIVERSITY



Subcontracting

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WASHINGTON STATE UNIVERSITY

Recording date of this workshop is
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Some of the rules and procedures discussed
in this workshop are subject to change.

Please check university resources
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Overview

- Proposal/Award Cycle
- Definitions
- Subcontracts vs Personal Services Agreements
- Changes from the Recent "Uniform Guidance"
- Roles and Responsibilities
- Risk Assessment
- Sub-recipient Monitoring
- Examples of Audit Results

Proposal/Award Cycle

- Proposal Development
- Proposal Submission
- Award Acceptance and Set-up
- Award Management
- Closeout

Definitions

- What is a sub-award?
- "...an award provided by a pass-through entity to a sub-recipient for the sub-recipient to carry out part of a Federal award received by the pass-through entity. It does not include payments to a contractor or payments to an individual that is a beneficiary of a Federal program. A sub-award may be provided through any form of legal agreement, including an agreement that the pass-through entity considers a contract." (2 CFR 200 "Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards")

Definitions

- What is a sub-recipient?
- "...a non-Federal entity that receives a sub-award 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 sub-recipient may also be a recipient of other Federal awards directly from a Federal awarding agency." (2 CFR 200 "Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards")

Subcontract vs. Personal Services Agreement – How to Tell the Difference – ORSO Memo 22

- Subcontract/Sub-recipient Characteristics:
 - Carries out a portion of the statement of work – Co-PI / Co-Author
 - Performance is measured against meeting the objectives of the program
 - Has authority for administrative and programmatic decisions over the SOW
 - Is responsible for applicable program compliance requirements

Subcontract vs. Personal Services Agreement – How to Tell the Difference – ORSO Memo 22 (continued)

- Personal Service/Vendor Characteristics:
 - Provides a service available to many different purchasers at similar rates
 - Operates in a competitive environment with other offering similar services

When making your determination, the substance of the relationship is more important than the form of the agreement. Not all of the characteristics may be present in all circumstances... judgment should be used... (2 CFR 200 "Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards")

Changes from the Uniform Guidance

- 1) Sub-recipient F&A Rates – 10% MTDC now allowed if no prior negotiated rate
- 2) 90 Day Closeout Requirements – All funds to be drawn within in 90 days
- 3) Fixed Price subs – Need approval, and only allowed up to \$150k
- 4) Prompt Payments and Withholding of Payments – 30 days barring issue
- 5) New certification Statement on invoices
- 6) Updated Risk Assessment Guidelines
- 7) Updated Single Audit Threshold
- 8) New data elements required in subcontract
- 9) Single Audit information to come from Fed. Audit Clearinghouse

“I have been awarded, now what?” – Subcontract Initiation Process

1. Check ORSO's approved subrecipient website: <http://orso.or.wsu.edu/subrecipient.asp>
2. (If necessary). If subrecipient is not on our approved website, we need to perform a financial review on them. We have a duty to ensure sub-recipients maintain adequate internal financial management controls.
 - Audit report, financial statements, tax records, etc.
3. Once the financial review is complete, send completed initiation sheet, SOW/Budget, F&A Rate agreement (if receiving F&A dollars) and any other necessary items to ORSO for review.

Responsibilities

- “All pass-through entities must... (e)valuate each sub-recipient's risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the sub-award for purposes of determining the appropriate subrecipient monitoring.” (2 CFR 200 “Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards”)
- “Recipients are **responsible for managing and monitoring** each project, program, sub-award, function or activity supported by the award. Recipients shall monitor sub-awards **to ensure sub-recipients have met** the audit requirements as set forth in §74.26.” (45 CFR Part 74 Subpart C – Post Award Requirements, Section 51)

Responsibilities - Other

- §200.331 'Requirements for pass-through entities' lists these other responsibilities:
 - 1) Consider imposing specific sub-award conditions upon a subrecipient if appropriate.
 - 2) Monitor the activities of the subrecipient as necessary to ensure that the sub-award is used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the sub-award; and that sub-award performance goals are achieved.
 - 3) Verify that every subrecipient is audited as required.
 - 4) Consider whether the results of the sub-recipient's audits, on-site reviews, or other monitoring indicate conditions that necessitate adjustments to the pass-through entity's own records.
 - 5) Consider taking enforcement action against noncompliant sub-recipients.

Possible Indicators of High Risk

- A qualified audit report or failure to have a current audit report
- Inadequate response to financial questionnaire
- History of non-compliance or non-performance (failure to use funds for authorized purposes)
- New sub-recipient (or new to this type of project)
- Award size relative to sub-recipient's sponsored research portfolio
- Type of sub-recipient

Possible Mitigations to High Risk Assessment

- Corrective Action Plan
- Special Monitoring Plan (PI/Dept/ORSO/SPS)
 - More frequent contact with sub-recipient or
 - More frequent technical reports
- Add more detailed or frequent invoicing requirement
 - Backup documentation
- Tie receipt of technical progress reports to payments
- Require on-site monitoring (technical and financial)
- Add more stringent termination or stop-work language for failure to comply with requirements
- Site visits

Departmental Responsibilities

Develop the overall plan for commitment of funds:

1. Approve all expenditure requests.
2. Review budget statements, proposal/budget breakdown, and invoices for reasonableness of hours/costs, indirect rate issues, and any other irregularities in the sub proposal.
3. Ensure that all expenditures are directly related to the scope of work and are:
 - a. Allowable
 - b. Allocable
 - c. Reasonable
 - d. Consistent

Departmental Responsibilities
(continued)

4. Certify his or her effort and the effort of other employees working on the project.
5. Certify that all cost sharing obligations have been met.
6. Initiate and approve subcontract agreements and payments.
7. Verify that all appropriate expenditures have posted.

Departmental Responsibilities
(continued)

8. Reviews invoice for allowability/allocability/reasonableness and timeliness, ensuring that:
 - ✓ Contract number is on the invoice (G #)
 - ✓ Invoice time frame is identified.
 - ✓ Invoice amount (current and cumulative) is clearly identified.
 - ✓ Expenses are within the sub-award performance period.
 - ✓ All addition is correct.
 - ✓ Expenses are itemized according to sub-award budget, within allowed deviations.
 - ✓ Includes the required certification statement.
 - ✓ All required deliverables/reports have been received (technical reports, property reports, invention reports, etc...)

Departmental Responsibilities
(continued)

8. Reviews invoice for allowability/allocability/reasonableness and timeliness, continued:
 - The Principal Investigator is responsible for ensuring the subcontractor is meeting their obligations. The PI should certify expenditures are appropriate to the subcontract and that the work being invoiced was indeed completed or delivered received.
 - ***This responsibility may be delegated. It is suggested that delegation be in writing.***

Departmental Responsibilities
(continued)

9. Appropriate signatory signs/codes invoices by approved budget objects, and send back to SPS for payment.
10. Reviews technical/progress reports to ensure making progress/meeting milestone/reporting requirements.
11. Requests additional supporting documentation on questioned costs.
12. Monitor subcontractor compliance with regulations of both the Prime and subaward terms and conditions.
13. Ensures that subrecipient has proper control of property.
14. Forwards copy of property, invention and cost-share reports to SPS.

ORSO Responsibilities

Assist with submitting the Prime Award proposal, award negotiation and drafting/negotiation of a subcontract.

1. Receive the subcontract initiation form and backup documents.
2. Check Visual Compliance Database (EPLS).
3. Check for DUNS#, Sam.gov registration, and E-Verify/ARRA/FCOI/FFATA/NSF F&A applicability.
4. Check that sub-award is within scope of work, within dates of the Prime Award and that funding allocation has been set aside.
5. If needed, do risk assessment for post-award monitoring.
6. Acts as advocate for PI and University in sub-agreement issues.

SPS Responsibilities

After sub-award is signed and sub-award received at SPS:

1. Review sub-award agreement and translate into computer systems.
2. Verify the rate agreement, Single Audit response, and completion of all documents.
3. Process subcontract invoices for payment.
4. Annually review the subcontractor's most current audit document.
5. Complete risk assessment form, if necessary, based upon latest audit report.
6. Alert all parties if the audit review demonstrates a concern for WSU.

Close Out Procedures

- Ensure all sub contractor's invoices have been received/paid, including a final marked "final".
- All progress reports/deliverables have been received.
- Ensure close out documents have been received.

Sub-recipient Monitoring

- Under §200.207 WSU can impose additional specific award conditions under the following circumstances:
 - Federal agency review posed a risk by applicant
 - Applicant has a history of failure to comply and fails to meet expected performance goals and not responsible
 - Withholding authority to proceed to next phase in a given period
 - Requiring more detailed financial report and additional monitoring

These additional conditions must be removed once the condition has been corrected.

Sub-recipient Monitoring

- §200.338 'Remedies for noncompliance', allows WSU to take one or more of the following actions for subcontractors who are unwilling or unable to comply with the monitoring requirements:
 - Temporarily withhold cash payments pending correction of the deficiency by the non-Federal entity or more severe enforcement action by the Federal awarding agency or pass-through entity.
 - Disallow (that is, deny both use of funds and any applicable matching credit for) all or part of the cost of the activity or action not in compliance.
 - Wholly or partly suspend or terminate the Federal award.
 - Initiate suspension or debarment proceedings as authorized under 2 CFR part 180 and Federal awarding agency regulations (or in the case of a pass-through entity, recommend such a proceeding be initiated by a Federal awarding agency).
 - Withhold further Federal awards for the project or program.
 - Take other remedies that may be legally available.

Audit Results

- June 2014 report
- Seattle Institute for Biomedical and Clinical Research
- Due to lack of proper review of grants agreements for proper revenue recognition the following error occurred:
- Federal expenditures were overstated by \$61,566 (SEFA -Schedule of Expenditures of Federal Awards).
- The OMB Circular states that an auditee is to prepare a schedule of expenditures of Federal awards for the period covered by the financial statement including notes that describe the significant accounting policies used.
- Updated 05/18/2015

Audit Results

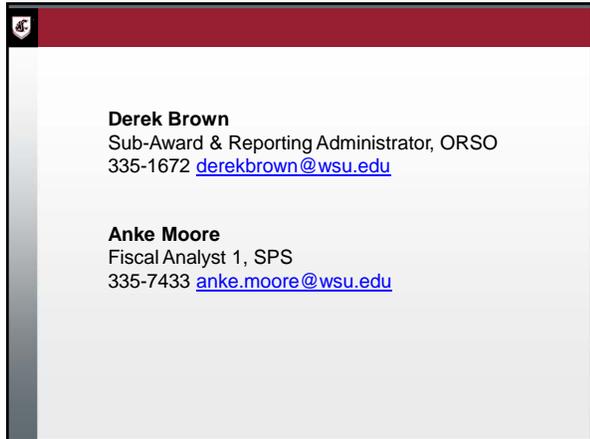
- February 10th report
- Colorado State University;
- The audit found that the University did not report in a timely manner under the Transparency Act .
 - 1) Required sub information was not reported for four of the 29 Sub awards
 - 2) One sub award was 10 months late and 2 were submitted with incorrect dates
 - 3) The problem occurred because of lack in the review process

Audit Results

- March 31, 2014
- Due to data entry errors, and lack of internal controls over the preparation of the reports. Utah State University had errors in Federal Financial Reports.
 - 1) Cash receipts for Federal Grant were understated by \$49,860
 - 2) Total Recipient Share for a federal grant was understated by \$31,170.



This slide features a dark red header with the WSU logo in the top left corner. Below the header is a photograph of three people in a videoconference setting. To the right of the photo, the text reads: "This has been a WSU Training Videoconference". Below the photo and text, a white text box contains the following information: "If you attended this live training session and wish to have your attendance documented in your training history, please notify Human Resource Services within 24 hours of today's date: hrstraining@wsu.edu".



This slide has a dark red header with the WSU logo in the top left corner. The main content area is white and contains contact information for two individuals: "Derek Brown, Sub-Award & Reporting Administrator, ORSO, 335-1672, derekbrown@wsu.edu" and "Anke Moore, Fiscal Analyst 1, SPS, 335-7433, anke.moore@wsu.edu".
