

## SUBRECIPIENT COMPLIANCE Procedures

### PURPOSE:

Eastern Michigan University is responsible for entering into subcontracts and for monitoring sub-recipients who expend \$500,000 or more per year of federal awards to comply with the audit requirements of [OMB Circular A-133](#). There are specific financial and administrative regulations governing the management of federal grants and contracts. When the University contracts with sub-recipients to perform work on federal grants and contracts, these same regulations govern the sub-recipients. Penalties for non-compliance include adverse audit findings, financial liabilities on current and past awards, and loss of eligibility to receive future awards.

### RESPONSIBLE PARTIES:

Office of Research and Development (ORD), Grants Accounting, Project Directors and authorized grant personnel.

#### Establishing a Sub-recipient

The Office of Research and Development (ORD) is required to distinguish between a sub-recipient and a vendor. Once a determination has been made that a subcontract is required under an approved federal award, ORD will obtain a copy of the proposed subcontractor's most recent A-133 audit report and if applicable any relevant management response with corrective action. When the University enters into a subcontract agreement, ORD will provide the sub-recipient organization with information about the specific federally funded prime award, associated compliance issues along with Federal award information (e.g., the CFDA title and number, award name, name of Federal agency and amount of the award).

#### Award Monitoring

Project Directors are responsible for monitoring sub-recipients to ensure that performance goals are achieved and that the sub-recipients administer the awards in compliance with grant and/or contract regulations. Project Directors will be responsible for approving all invoices processed for payment against the subcontract agreement.

The Grants Accounting office is responsible for monitoring sub-recipients to ensure that sub-recipients administer the federal awards in compliance with federal regulations including but not limited to:

- Federal Acquisition Regulations (FAR), Part 44, "Subcontracting Policies and Procedures"
- OMB Circular A-110, "Uniform Administrative Requirements for Grants and Cooperative Agreements"
- OMB Circular A-133, "Audits of Institutions of Higher Education and Other Non-Profit Organizations"

- OMB Circular A-122, “Cost Principals for Non-Profit Organizations”

Grants Accounting will review and approve all invoices processed for payment against the subcontract agreement after obtaining the Project Director’s approval.

Costs deemed inappropriate or unallowable are the Project Director’s responsibility.

#### Sub-recipient Audits

The Grants Accounting office will monitor sub-recipients through OMB Circular A-133 reports and will request copies of the OMB A-133 audit reports from each sub-recipient on an annual basis. A-133 requires that annual audits be completed within nine months of the end of the sub-recipient’s audit period. Grants Accounting will distribute the OMB A-133 Compliance Statement (hyperlink to form) annually to all sub-recipients on externally sponsored awards by April 30<sup>th</sup> of each year.

Follow up requests will be made to ensure that sub-recipients send reports as follows:

- If no response is received within 45 days, a second certification letter will be sent. If no response is received after the second notification, the sub-recipient will be contacted by telephone.
- If reports are not received the Federal Audit Clearinghouse (FAC) will be used to retrieve audit report information from the FAC database. The information will be reviewed to determine if an organization has any reportable conditions and/or audit findings required to be reported under OMB Circular A-133.
- Should attempts continue to be unsuccessful Grants Accounting, in conjunction with ORD, will consider sanctions against the sub-recipient including termination of the subcontract agreement.

The monitoring of sub-recipients not subject to Circular A-133 will be based upon the judgment of management.