

EASTERN MICHIGAN UNIVERSITY

Subrecipient Compliance Procedures

PURPOSE:

Eastern Michigan University, as a prime Recipient of federal funding, is responsible for monitoring Subrecipients with which it enters into subaward agreements. When the University contracts with Subrecipients to perform work on federal grants and contracts, specific financial and administrative regulations governing the management of federal grants and contracts must be passed down so that the same regulations governing the prime award also govern the Subaward and Subrecipient organization. Penalties for not sufficiently monitoring Subrecipients may include adverse audit findings, financial liabilities on current and past awards, and loss of eligibility to receive future awards.

ESTABLISHING A SUBRECIPIENT:

Establishing a Subaward falls under the responsibility of the Office of Research Development (ORDA) during the proposal development stage. ORDA will work with the PI to distinguish between a Subrecipient and a Vendor as defined in OMB A-133. While subcontracting is used in both cases, Subrecipient and Vendor have specific definitions under the federal rules. A Subrecipient generally indicates a collaborative project, while a Vendor, generally indicates procurement activity where payment is being made for goods and services. Subcontract agreements are used in either case.

Subrecipients have the following characteristics:

- Their performance is measured against meeting the objectives of the program.
- They have authority for administrative and programmatic decisions.
- They provide on-going service for the life of the program.
- They carry out a program of the Subrecipient as compared to providing services for a program of the prime recipient.
- They are responsible for applicable program compliance requirements.

Vendors have the following characteristics:

- They provide the service as part of their normal business operations.
- They provide a similar service to many different purchasers.
- They operate in a competitive environment (compete with others who can provide a similar service).
- Their program compliance requirements do not pertain to the service provided.
- In most cases, administrative rules require prior approval when making Subawards on federal grants or contracts.

In most cases, prior sponsor approval is required for Subawards. This is best handled at the proposal stage when all of the information required by the agency can be provided in the proposal and approved prior to award.

Upon award, where Subrecipients are included as part of the approved budget of EMU's prime award, ORDA will draft and negotiate Subaward Grant Agreements with the Subrecipient organization. Prior to entering into a Subaward Agreement, the Subrecipient Agency will be required to submit it A-133 Audit Report for review. (Along with any relevant management response with corrective action.) If an agency is not required to complete an A-133 Audit because it does not expend more than \$500,000 in federal funds annually, an agency may be required to provide other financial information for EMU's review. When the University enters into a Subaward agreement, ORDA will include the following information as part of the agreement: 1) federally funded prime award, associated compliance issues

along with Federal award information (e.g., the CFDA title and number, award number, name of Federal agency and any agency specific rules that may apply).

AWARD MONITORING:

The Principal Investigator is responsible for monitoring Subrecipients to ensure that performance goals are achieved and that Subrecipients administer the awards in compliance with grant and/or contract administrative regulations. The Principal Investigator will be responsible for approving all invoices processed for payment against the Subaward agreement.

The Sponsored Research Accounting (SRA) office is responsible for monitoring Subrecipients to ensure that Subrecipients administer the federal awards in compliance with federal financial regulations as applicable, including but not limited to:

- OMB Circular A-81, “Uniform Guidance”
- 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”
- Federal Acquisition Regulations (FAR), Part 44, “Subcontracting Policies and Procedures”

SRA will review and approve all invoices processed for payment against the subcontract agreement after obtaining the Principal Investigator’s approval.

Costs deemed inappropriate or unallowable are the Principal Investigator’s responsibility.

SUBRECIPIENT AUDITS:

The SRA office will monitor Subrecipients through OMB Circular A-133 reports and will request copies of the OMB A-133 audit reports from each Subrecipient on an annual basis. A-133 requires that annual audits be completed within nine months of the end of the Subrecipient’s audit period. SRA will distribute the OMB A-133 Compliance Statement (see below) annually to all Subrecipients on externally sponsored awards by April 30th of each year.

Follow up requests will be made to ensure that Subrecipients 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 Subrecipient 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 Sponsored Research Accounting, in conjunction with ORDA, will consider sanctions against the Subrecipient including termination of the subcontract agreement.

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

OMB A-133 Compliance Statement

(current date)

Eastern Michigan University is required to ensure that sub-recipients expending \$500,000 or more in federal awards comply with audit requirements of OMB Circular A-133. Pursuant to our agreement, please indicate which of the following sub-recipient compliance statements apply to your institution for fiscal year ending (current fiscal year).

Please check the appropriate box and provide the required documents pertaining to:

Sub-recipient Agreement No.:

CFDA No.:

Prime Funding Agency:

Award Title:

- We have completed our A-133 audit for the most recent period _____ to _____. The audit disclosed no material instances of noncompliance with federal laws or regulations or reportable conditions specifically related to the award(s) from Eastern Michigan University and there are no unresolved prior year findings.
- We have completed our A-133 audit for the most recent period _____ to _____. The audit report noted material noncompliance issues and/or reportable conditions. Enclosed is a copy of the audit report package including management response and corrective actions.
- We are not subject to the requirement of A-133 because we:
 - are a for-profit organization
 - are a foreign (non U.S.) entity
 - receive less than \$500,000.00 in total federal support

Agency Name (please print clearly)

Authorized Personnel Name and Title
(please print clearly)

Email

Phone

Authorized Personnel (signature)

Date

Please return form and supporting documentation to:

Eastern Michigan University

Sponsored Research Accounting

212A Hover Bldg.

Ypsilanti, MI 48197

Attention: Katie Schortgen, Manger –Sponsored Research Accounting

Thank you for your assistance and cooperation in complying with these requirements. If there are any questions, please contact the Manager of Sponsored Research Accounting at 734.487.6679.