



# Subrecipient Policy

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## For Sponsored Agreements

New Mexico Tech Business Office  
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The purpose of this document is to assist faculty and staff in ensuring that subrecipients conduct their portion of research projects in compliance with laws, regulations, and terms and conditions of awards and subawards. Frequently used terms are defined and an overview on oversight responsibilities is included.

This document is continually being updated; we would appreciate any information and/or insight that would help us develop stronger policies for NMIMT's research community.

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## I. Introduction

New Mexico Institute of Mining and Technology (NMIMT) is ultimately responsible for all payments made from a sponsored project including payments to its subrecipients. A subrecipient is a third-party organization performing a portion of NMIMT's scope of work as proposed to a funding agency. However, NMIMT is still responsible for management of project funds and meeting performance goals specified in sponsored agreements. The subrecipient policy does not include agreements for consulting services or purchase orders for equipment, materials, or other goods.

NMIMT is responsible for vetting its subrecipients in order to ensure they have adequate systems to conform to sound business practices and in order to comply with federal requirements. NMIMT uses a **risk-based** approach in monitoring its subrecipients. Factors taken into consideration include the following which influence the nature and extent of monitoring procedures:

- The relative size of the subrecipient award.
- Award complexity, program maturity, sensitivity of the work, and/or extensiveness of government regulations.
- Prior experience with the subrecipient. Examples include a new subrecipient, inexperienced subrecipient, history of non-compliance, new personnel, or new or substantially changed systems.
- Degree of external oversight by auditors or sponsoring agencies. NMIMT is obligated to monitor subrecipients performing effort on federal awards, regardless if the subrecipient is subject to a 2 CFR 200 audit.
- Sophistication of the subrecipient's systems and administrative operations.

A **risk-based** approach allows NMIMT to determine which subrecipients are deemed **high risk** and therefore may require closer scrutiny and/or site visits. In addition, **high risk** subrecipients may be asked to submit supporting documentation in the form of original receipts, copies of payroll records, audits, etc. if circumstances warrant.

## II. Definitions

### A. Subcontract/Subaward/Sub agreement

The terms **subcontract**, **subaward**, and **sub agreement** are used interchangeably in this policy. However, in the strictest sense they are distinct. A **Subaward** is used when the originating award is a grant and a **subcontract** is used when the originating awards is a contract. A **sub agreement** refers to any lower tier award of financial support from a prime recipient/NMIMT to a subrecipient. These documents represent legal instruments used to contract with companies, individuals, or institutions outside of New Mexico Institute of Mining and Technology (NMIMT) for services that are for the direct benefit of a sponsored project.

The instruments serve many purposes:

1. They are the legal, binding documents that state the rights and responsibilities of both parties.
2. They protect the interest of the funding agency and the prime recipient/NMIMT, and they "flow- down" all necessary requirements, certifications, and assurances required by the sponsor.
3. They demonstrate to the sponsor that the prime recipient has acted on its behalf and is demonstrating proper stewardship (NACUBO).

### B. Subrecipient 2 CFR 200.93

Subrecipients are entities that **perform a portion of the scope of work** identified in a proposal for a funding agency (grantor). Per 2 CFR 200.330(a)(1-5) their performance is measured against whether the objectives of the federal programs are met. They also have responsibility for adherence to applicable federal program compliance requirements. **Normally, a deliverable is required.** Utilize the policy outlined within this document.

### C. Contractor 2 CFR 200.22-23

A contractor provides goods and services but does not participate in the scope of the work itself. Under 2 CFR 200.23 and 2 CFR 200.330(b)(1-5), an organization is considered to be a contractor when it provides goods and services within its normal business operations, provides similar goods and services to many different purchasers, operates in a competitive environment, provides goods and services that are ancillary to the operation of the Federal program, and is not subject to compliance requirements of the Federal program as a result of the agreement. **Payments for goods or services, such as a consultant, provided by a contractor represent a procurement arrangement and are not considered subawards to subrecipients. Purchasing department guidelines are to be followed. Normally, a deliverable, as specified under the terms and conditions of an externally funded agreement, is not required.**

Note: Not all of the characteristics listed above may be present to determine whether an entity is classified as a subrecipient or a contractor. Consequently, pass-through entities should look at the substance of the relationship.

The following is a tip often used by institutions to test if a subrecipient relationship exists:

Whether an individual at the subrecipient entity could be the co-author of scientific manuscripts that describe the research results or whether the subrecipient entity has the right to file for intellectual property protection of inventions or software (NACUBO).

**Following is a list of the characteristics of a subrecipient versus a contractor:**

**Subrecipient: (2 CFR 200.330)**

- Determines who is eligible to receive Federal financial assistance.
- Has its performance measured against whether the objectives of the Federal program are met.
- Has responsibility for making programmatic decisions.
- Has responsibility for adherence to applicable Federal program compliance requirements.
- Uses Federal funds to carry out a program of the organization as compared to providing goods or services for a program of the pass-through entity.

**Contractor: (2 CFR 200.330)**

- Provides the goods or service within its normal business operations.
- Provides similar goods or services to many different purchasers.
- Normally operates in a competitive environment.
- Provides goods or services that are ancillary to the operation of the Federal program.
- Is not subject to compliance requirements of the Federal program.

As there are exceptions to the above list of characteristics, judgment must be used in determining whether an entity is a sub-recipient or a provider of professional services/contractor. In making this determination, the substance of the relationship is more important than the form of the agreement. Refer to the decision tree on the following page.

<b>SUBAWARD or CONTRACT</b>	
<b>SUBRECIPIENT</b>	<b>CONTRACT</b>
<ul style="list-style-type: none"> <li>• An assistance relationship</li> </ul>	<ul style="list-style-type: none"> <li>• A procurement relationship</li> </ul>
<ul style="list-style-type: none"> <li>• Contributes substantively to the scientific conduct of the project</li> </ul>	<ul style="list-style-type: none"> <li>• Provides goods and services within normal business operations</li> </ul>
<ul style="list-style-type: none"> <li>• Performance measured against federal program objectives</li> </ul>	<ul style="list-style-type: none"> <li>• Provides similar goods and services to many purchasers</li> </ul>
<ul style="list-style-type: none"> <li>• Responsible for programmatic decision-making</li> </ul>	<ul style="list-style-type: none"> <li>• Normally operates in a competitive environment</li> </ul>
<ul style="list-style-type: none"> <li>• Adheres to applicable federal program requirements</li> </ul>	<ul style="list-style-type: none"> <li>• Provides goods or services that are ancillary to the federal program</li> </ul>
<ul style="list-style-type: none"> <li>• Uses federal funds to carry out a program for public purpose specified in statute, as opposed to providing goods or services for the benefit of the pass-through entity</li> </ul>	<ul style="list-style-type: none"> <li>• Not subject to compliance requirements of the federal program</li> </ul>

### III. Governing Regulations

NMIMT, as an educational institution, is bound by the regulations stated in 2 CFR 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. The CFR requires that the prime recipient/NMIMT be responsible for activities of the subrecipients, monitor their performance, and review their audits. 2 CFR 200.331

Responsibilities of the pass-through entity/NMIMT (2 CFR 200.331) include:

1. Identifying federal awards made by informing each subrecipient of the Catalog of Federal Domestic Assistance (CFDA) title and number, the award name and number, the award year, whether the award is Research and Development (R&D), and the name of federal agency. When some of this information is not available, the pass-through entity shall provide the best information available to describe the federal award. 2 CFR 200.331(a)(1)
2. Advising subrecipients of requirements imposed on them by federal laws, regulations, provisions of contracts or grant agreements, as well as any supplemental requirements imposed by the pass-through entity. 2 CFR 200.331(a)(2-3)
3. Ensuring that an approved federally recognized indirect cost rate has been negotiated between the subrecipient and the Federal government or, if no such rate exists that either a rate negotiated between the pass-through entity and the subrecipient or a de minimis indirect cost rate is used. 2 CFR 200.331(a)(4)
4. Monitoring the activities of the subrecipients as necessary to ensure that federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved. 2 CFR 200.331(b)(4)(d)
5. Ensuring that subrecipients expending \$750,000 or more in federal awards during the subrecipient's fiscal year have met the audit requirements of this part for that fiscal year. 2 CFR 200.331(f)
6. Issuing a management decision on audit findings within six months after receipt of the subrecipient's audit report and assurance that the subrecipient takes appropriate and timely corrective action. 2 CFR 200.331(d)(3) and 2 CFR 200.521(d)
7. Considering whether subrecipient audits necessitate adjustment of the pass-through entity's own records. 2 CFR 200.331(g)
8. Requiring each subrecipient to permit the pass-through entity and auditors to have access to the records and financial statements as necessary for the pass-through entity to comply with these guidelines. 2 CFR 200.331(a)(5)

## IV. Principal Investigator Responsibilities

### A. Pre-award

The Principal Investigator (PI) determines the need for a subaward and identifies a subrecipient. For the initial proposal to an external agency, the PI requests a proposal and letter of commitment for the proposed work from any potential subrecipient(s). Each proposal should include the budget for the subawardee's portion of the project, a narrative budget justification, a scope of work, and a copy of the proposed subawardee's negotiated overhead rate agreement. If the subaward has cost share requirements that are to be satisfied by the subrecipient, then the subrecipient proposal should quantify the value of their contribution. All of this information should be submitted to Sponsored Projects Administration (SPA) for review prior to the initial proposal submission to the agency. If it is necessary to consider a sole source, justification should be provided in the budget narrative that will be presented to the prospective funding agency for approval. Otherwise, the PI must solicit proposals from several organizations.

### B. Post-award – Subrecipient Monitoring Process

Once the proposal has been funded, the PI should provide the appropriate subawardee contact information to the Sponsored Projects accountant so that a completed Subrecipient Status Questionnaire (Exhibit 1) can be obtained from the subrecipient. Using the Subrecipient Status Questionnaire and the Risk Analysis Matrix (Exhibit 2), the PI may be asked to assist Sponsored Projects in determining whether or not additional risk mitigation steps should be taken. **High risk** subrecipients may be asked to submit supporting documentation in the form of original receipts, copies of payroll records, or audits.

When the risk assessment is complete and the subaward has been fully executed, SPA will send a copy of the fully executed subaward to the PI/department. The PI/department will attach the subaward to a Requisition for a purchase order, noting on the face of the Requisition that the resulting purchase order is to be sent to the subawardee's financial contact as shown in the subaward document. As the Purchasing Policy states: "Subawards proposed to and approved by external funding agencies and administered by NMIMT Sponsored Projects Administration (SPA) are not considered procurements and shall be processed independently through that office and in accordance with SPA policy. Sole Source documentation is not required. The Purchasing office will continue to process requisitions and issue purchase orders for subawards."

Note: If a subaward has not been included in the original proposal as accepted by the agency, agency approval for a subaward must be requested and granted (2 CFR 200.407) and a Determination of Sole Source Procurement must be submitted to the Purchasing office to be posted on the Purchasing Department website for 30 days. Once the 30-day period has elapsed without a challenge, then the subaward process can begin. If, however, the sole source is challenged and research by the Purchasing office confirms that the challenge has merit, a formal Request for Bid (RFB) or Request for Proposal (RFP) will have to be initiated.



**After the subaward is issued, NMIMT relies on the PI to be the primary control point for monitoring the activities of subrecipients as necessary to ensure that federal awards are being used for their authorized purpose and that performance goals are achieved. The primary mechanism for achieving this is the PI's written approval of the invoice for payment as indicated by the PI's signature on the receiving report. Invoices should not be approved if the appropriate technical progress has not been made and/or deliverables have not been met.**

The PI, by signing and approving subrecipient invoices, certifies the following:

- **Timely Submission of Invoices** – The subrecipient timely submits invoices for review and approval.
- **Allowable, Allocable, Reasonable, and Appropriate** – The invoice expenses are allowable, allocable, reasonable and appropriate *for the work being performed*.
- **Reports** – Subrecipient technical reports are submitted in accordance with statement of work specified in the subcontract instrument and submitted in a timely manner.
- **Progress and Performance** – The progress and performance of services conducted by the subrecipient are satisfactory.
- **Review of Expenses-to-Budget** – For cost reimbursement subawards, the cumulative invoice amount has been compared to the approved budget submitted in subrecipient's proposal.
- **Clarification of Invoiced Charges** – Subrecipient invoices should be in enough detail to determine how the funds are being used. Charges that are unusual, miscellaneous, apparently excessive, or which otherwise stand out should be explained by the subrecipient with additional documentation attached to the invoice.

Examples of documentation that may be requested from subrecipient include, without limitation:

- Payroll records/data.
- Copies of paid invoices showing the cost of items purchased.
- Description of services rendered by consultants (including hourly rates and time reports).  
Details of travel charges stating the purpose, airfare, meals, ground transportation, and unallowable costs.

For Department of Energy awards – Invoices should include support documentation, such as detailed receipts for all items purchased, expenses incurred while traveling, and subaward/vendor payments. Subawardees should also provide support documentation for all costs incurred under the subaward, such as detailed receipts for all items purchased, expenses incurred while traveling, and vendor payments. Should you have questions or issues that arise under your award, refer to award instrument for contact information of DOE Contract Specialist.

Additional elements for the PI to consider when certifying the invoices include the following:

- On-site visits may be conducted at the discretion of the PI to evaluate both compliance with the scientific and technical objective of the project and the appropriateness of the subrecipients administrative systems, processes, and charges.
- The PI may make regular contact and appropriate inquiries of work performed.
- The PI may consider providing training and technical assistance on program-related matters.
- Audits. Discretionary audits of subrecipients are an acceptable monitoring procedure under federal regulations, and all of the subcontract agreements contain a right-to-audit clause. Formal audits may be performed when circumstances warrant such a review. It is permissible for NMIMT to hire an auditor to perform this review and direct charge the expense to the project, if approved by the funding agency. If the prospective grantor is a federal agency, they have the authority to request the Defense Contract Audit Agency (DCAA) to perform the audit at either the pre-award or post-award stage.

The PI indicates approval to pay acceptable invoices and attaches a copy of the receiving copy of the purchase order. The documents are then forwarded to the Accounts Payable department for payment processing. If an approval cannot be made or there are issues with the invoice, the PI or Department Administrator should inform Sponsored Projects Administration so appropriate follow-up and action can be taken with the subrecipient.

The PI should notify the Sponsored Projects Office when the following changes have occurred and consequently warrant an amendment to the original subaward:

- Change in the scope of work, and/or period of performance
- Change in the funding level or change in budget
- Cancellation of all or a portion of the subaward
- Other changes, when it is in the best interest of NMIMT to issue an amendment.

After approval has been received from the Sponsored Projects office, the PI/originating department has the responsibility to notify the Purchasing Office to revise the purchase order accordingly.

## V. Sponsored Projects Administration's Responsibilities

### A. Pre-award

The SPA contract administrator acts as a liaison between the funding agency and the Principal Investigator (PI) to ascertain that all necessary documentation is generated and provided. A subrecipient must provide:

- A statement of work (at the proposal stage)
- A budget and budget justification (at the proposal stage)
- A copy of subrecipient's most current Federally negotiated rate agreement (at the proposal stage)
- A letter of commitment from an authorized official at the subrecipient organization (at the proposal stage)
- A completed Subrecipient Status Questionnaire (Exhibit 1) (when actual subaward process begins)

The Sponsored Projects Administration (SPA) should review the subrecipient's proposed budget and request supporting documentation for various cost elements and to ascertain that costs are allowable per 2 CFR 200. Where appropriate, a copy of the subrecipient's negotiated indirect costs (F&A) rate agreement should be maintained with the file. If the subrecipient does not have an audited and approved F&A rate, then it may charge the 10% de minimis rate per 2 CFR 200.331 and 2 CFR 200.414(f).

Sponsored Projects Administration takes the following steps:

1. When an award with subawards is received from an agency, get contact information for the subrecipient. .
2. Send a Subrecipient Status Questionnaire (Exhibit 1) to the subrecipient along with a "Vendor" registration form, and an FFATA form if required.
3. With the completed Subrecipient Status Questionnaire, perform a risk assessment of each subrecipient using the Subrecipient Risk Analysis Matrix (Exhibit 2), requesting input from the PI as appropriate.
4. If there is a high level of risk associated with the subrecipient, ensure appropriate risk mitigation steps are taken and the necessary language is included in the sub-agreement. For example, **high risk** subrecipients may be asked to submit supporting documentation in the form of original receipts, copies of payroll records, audits, etc. if circumstances warrant. These additional requirements would be addressed in the subcontract instrument under Article IV- Payment. Fill out the Subrecipient Risk Assessment Form (Exhibit 3) and keep it in the project file.

5. NMIMT may wish to have a high- risk subrecipient audited before or during the project. If so, verify with the agency that they will pick up auditing costs, or if costs will be the responsibility of NMIMT.
6. When the risk assessment is complete and SPA has received an official Statement of Work and Budget (Exhibit A of the subaward), a completed “Vendor” Registration form (Exhibit C of the subaward), and a completed FFATA form (Exhibit F of the subaward), the subaward can be compiled and sent to the subawardee to begin negotiation, if necessary, or for partial execution.

The Subaward instrument includes:

- Exhibit A: Statement of Work and Cost Proposal
- Exhibit B: Prime Agreement
- Exhibit C: NMIMT “Vendor” Registration Form (to allow payments through financial system)
- Exhibit D: Reporting Requirements, if appropriate
- Exhibit E: Certificate of Current Cost or Pricing Data (which is required on subawards equal to or greater than \$500,000 [per FAR 52.215-12 Subcontractor Cost or Pricing Data and FAR 15.403-4])
- Exhibit F: Federal Funding Accountability and Transparency Act Form (required in federal subawards equal to or greater than \$25,000)

Note: For subawardees judged to be extremely low-risk, i.e. UNM, NMSU, or other American universities, the Federal Demonstration Partnership (FDP) subaward forms found at <http://sites.nationalacademies.org/PGA/fdp/index.htm> are acceptable alternatives to the NMIMT standard subaward template. The long-form FDP subaward template may also be used for more extensive or complex subawards to extremely low risk subawardees.

7. When a partially executed subaward is returned by the subawardee, SPA will send it to the Vice President of Administration and Finance for final signature. SPA will then send a copy of the fully executed subaward to the PI/department where it will be attached to a Requisition for a purchase order. When the requisition and purchase order appear in the BANNER approval queue, SPA will verify that the correct fund and account code have been used, that the term dates on the requisition and the purchase order match the period of performance of the subaward, and that FOATEXT includes appropriate contact information for the subaward recipient.
8. Upon completion of the requisition/purchase order process, a purchase order number will be generated. That Purchase Order number becomes the subaward number.

SPA will enter it on the face of the subaward agreement, and the SPA contract administrator will send a copy of the entire agreement including the purchase order to both the subawardee and the NMIMT Principle Investigator.

9. For subawards made in excess of \$100,000, SPA prepares a memo from the contract administrator to the VP of Administration and Finance to notify the Board of Regents about such subawards. The original Regent Notification memo ([http://www.nmt.edu/images/stories/restricted\\_funds/sponsored\\_research\\_policies/Regent\\_Notification\\_Memo\\_2014.pdf](http://www.nmt.edu/images/stories/restricted_funds/sponsored_research_policies/Regent_Notification_Memo_2014.pdf)) remains with the Vice President of Administration and Finance, while a copy is maintained in the SPA contract file.

Since it is unusual for NMIMT to enter into subawards greater than or equal to \$500,000, it should be emphasized that the prudent course of action would be to work closely with the funding agency before, during, and after the subcontract process. This practice will ensure that NMIMT does not incur subrecipient costs which are ultimately disallowed.

## B. Post award

SPA reviews invoices for the following:

- To ensure that expenses were incurred during the period of performance.
- To ensure that the invoice has been certified and signed by an authorized subrecipient representative.
- To ensure that the appropriate invoice format and level of detail exist and that the PI has approved the invoice for payment.
- To ensure that the appropriate FUND and account code have been assigned and used.

Invoices deemed insufficient may be disapproved for payment and will need to be revised and resubmitted.

For invoices which contain equipment costs, the subrecipient has the additional responsibility to send an interim and a final property list to Sponsored Projects Administration. This requirement should be included in Exhibit D of the subaward. These reports are then forwarded to the Property office by SPA to enable the Property office to track items located at the subrecipient's site.

The purpose of this procedure is to allow NMIMT to satisfy Office of Naval Research property requirements for equipment purchases made by subrecipients. The list should contain items such as serial number, model number, and item description which will allow

specific identification in order to satisfy NMIMT's various reporting requirements to the funding agency.

Closeout procedures should include proper documentation of mandatory cost sharing satisfied by the subrecipient, collection of required financial reports and receipt of an invoice marked as "final". If equipment was purchased, and the award is subject to 2 CFR 200, then title vests with NMIMT and the equipment must be returned upon completion of the project.

When the subaward is closed out, SPA sends a Subrecipient Closeout Letter (Exhibit 8) (<http://www.nmt.edu/cat-university-policies/415-department-procedures>) to the subawardee and maintains a copy of the letter in the file.

## VI. Federal Funding Accountability and Transparency Act (FFATA)

The Federal Funding Accountability and Transparency Act (FFATA), enacted on September 26, 2006, requires that information on federal awards be made available to the public via [www.USASpending.gov](http://www.USASpending.gov). For more detailed information regarding the legislation, please refer to [www.fsrs.gov](http://www.fsrs.gov)

Currently, the data collection requirement on NMIMT is limited to the collection and reporting of information about first-tier sub-recipients under federal assistance awards and under federal contracts. Note the Office of Management and Budget (OMB) may require reporting on second-tier awards in the future.

As of October 1, 2010, all Federal grants and contracts of \$25,000 and over are subject to the FFATA subaward reporting requirements.

Prime awardees are required to upload the subrecipient information in the FFATA Sub-Award Reporting System (FSRS at <https://www.fsrs.gov/index?&>).

Subrecipients must maintain an active Central Contractor Registration (CCR) in order to receive Federal funding. Registration and status is through the CCR website (recently replaced by the US Government's System for Award Management/SAM)

When the subaward amount is \$25,000 or larger, it is required that the appropriate SPA contract administrator forward the FFATA form to the subrecipient to obtain the necessary information to meet the FFATA requirements:

- Name of entity receiving award
- Amount of award
- Funding agency
- NAICS code for contracts/CFDA program number for grants
- Program source
- Award title descriptive of the purpose of the funding action
- Location of the entity (including congressional district)
- Place of performance (including congressional district)
- CCR Registration
- Unique identifier of the entity and its parent (DUNS); and

Total compensation and names of top five executives *if*

- More than 80% of annual gross revenues from the Federal government, and those

- revenues are greater than \$25M annually and
- Compensation of information is not already available through reporting to the SEC or section 6104 of the Internal Revenue Code.

If a subaward is requested after a prime contract is executed and no FFATA information has been obtained then the contract administrator should obtain this information when a subaward is presented

(if required). The subaward will not be fully executed until the FFATA information is obtained.

The FFATA report must be submitted by the end of the month following the month of the full execution of the subaward amendment. It is the duty of the appropriate contract administrator to submit and update the required FFATA information in the FSRS website.

Any grants that have been funded through stimulus money are not required to report on the FSRS website. Any contracts that have been funded with stimulus money ARE required to report both through [FederalReporting.gov](http://FederalReporting.gov) and the FSRS website.



**VII. Coding Subaward Transactions**

Subrecipient costs are tracked separately in the general ledger by usage of the BANNER FUND code and account codes 710412 -710421 and 710425-710439. A new subaward agreement should be issued for each new Statement of Work (SOW). NMIMT is entitled to collect overhead (OH) on the first \$25,000 with the balance of the award OH exempt per 2 CFR 200.68 guidelines.

Note: BANNER tracks \$25,000 threshold by grant versus FUND - meaning you need to assign a unique account code for each unique subcontract within a grant regardless of FUND in order for the system to automatically calculate overhead on the first \$25,000 of activity.

**VIII. Advance Funding and Fixed Amount Subawards**

The federal government only allows for advance funding in rare circumstances when a subrecipient lacks sufficient working capital to perform the work ( 2 CFR 200.305)

In the rare event that an advance is made to a subrecipient, care should be exercised to ensure that NMIMT only advances the amount needed to cover short term working capital needs.

Note: Most subrecipients can meet their short term working capital needs and are able to conduct business on a cost reimbursable basis rather than requiring an advance.

Per 2 CFR 200.332, with prior written approval from the Federal awarding agency, a pass-through entity may provide subawards based on fixed amounts up to the Simplified Acquisition Threshold, provided that the subawards meet the requirements for fixed amount awards in 2 CFR 200.201.

Both these types of arrangements should be approved by the funding agency and documentation must be obtained supporting that work has been performed in accordance with the agreed upon Statement of Work and proof maintained that work has been completed.

## IX. Annual Monitoring for 2 CFR 200 Subpart F Audit Compliance

All state and local governments, colleges and universities, and nonprofit organizations that expend \$750,000 or more of federal awards in a fiscal year must have a single audit performed. **This is a valuable and primary monitoring tool for NMIMT.** The following components of a subrecipient's single audit report are reviewed as part of NMIMT's monitoring efforts:

1. The auditor's opinion on the financial statements.
2. The auditor's report on internal control.
3. The auditor's report and opinion on compliance with laws and regulations that could have an effect on major programs.
4. The schedule of findings and questioned costs.
5. The subrecipient's corrective action plan.

Sponsored Projects Administration runs BRFA008 Subrecipient Report at the end of the fiscal year to identify all subrecipients of federal funds. While "for-profit" entities are not subject to 2 CFR 200 Subpart F, NMIMT sends an annual audit certification letter to all subrecipients. A master log is maintained as letters are sent and received in order to track outstanding requests. A copy of each individual subrecipient audit certification should be kept in the subrecipient file with the Audit Monitoring Form (Exhibit 7) filled out by the SPA contract administrator.

The annual audit certification letter allows NMIMT to ensure that subrecipients are in compliance with the requirements of appropriate standards for good business practices, including internal controls in accordance with 2 CFR 200 Subpart F – Audit Requirements

NMIMT receives assurance from the subrecipient that it has satisfactorily completed the required audits and is in compliance with 2 CFR 200 Subpart F requirements. The subrecipient also has the responsibility of notifying NMIMT of any instances in which an adverse finding(s) impacts a subaward issued by NMIMT.

Subrecipients not subject to 2 CFR 200 are defined as for-profit organizations and those non-profit organizations not meeting the federal expenditure threshold of \$750,000 per annum as well as all foreign institutions or organizations. Such entities must still certify to NMIMT on the annual certification letter that they are in compliance with applicable federal, state or local laws and regulations and that no audit findings or questioned costs were discovered during the course of their annual audit which would have an adverse financial impact on awards made by NMIMT.

It is the responsibility of the Sponsored Projects Administration contract administrators to follow up on the audit certifications of each subawardee to ensure that the subrecipient takes timely and appropriate action on all deficiencies pertaining to the Federal award detected through audits, on-site reviews, and other means per 2 CFR 200.331(d)(2).

**X. Remedies**

In the event audit findings do exist, NMIMT is obligated to issue a management decision for audit findings pertaining to the Federal award provided to the subrecipient as required by 2 CFR 200.331(d)(3) and 2 CFR 200.521. NMIMT should obtain a corrective action plan from the subrecipient and determine if cost adjustments are required on the project(s). Fill out the Audit Monitoring Form (Exhibit 7) to document the review of the audit certification and the remedial steps taken.

A subrecipient who is unable or unwilling to have the required audits, permit monitoring activities, and/or correct non-compliant conduct may lead to sanctions by NMIMT (2 CFR 200.338). Examples of sanctions may include withholding cash payments pending correction of the deficiency, disallowing all or part of the cost of the activity or action not in compliance, wholly or partly suspending or terminating the subaward, initiating suspension or debarment proceedings as authorized under 2 CFR 180, withholding further Federal awards for the project or program, or taking other remedies that may be legally available. Non-compliance may be reported by NMIMT to the funding agency.

**XI. Record Retention Requirements****A. State and Federal Awards**

All financial, technical, and other records pertinent to the project must be retained for three years following submission of the final expenditure report or, for Federal awards that are renewed quarterly or annually, from the date of the submission of the quarterly or annual financial report (2 CFR 200.333 ) unless the terms of the award provide for a different period. Electronic or copied paper versions of records should be, whenever practicable, used in place of the original records (2 CFR 200.335).

Additionally, 2 CFR 200.333(a) states, "If any litigation, claim, or audit is started before the expiration of the three-year period, the records shall be retained until all litigation, claims, or audit findings involving the records have been resolved and final action taken."

**B. Other Sponsors**

Record retention for other sponsors is as specified in the award or in sponsor policy.

## **XII. Regulatory References**

2 CFR 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards

31 USC 7502(f)(2)(B)(Single Audit Act Amendments of 1996 Pub. L. 104-156)

45 CFR Part 74.26(d)(application of A-133 audit requirements to for-profit and non-US based entities)

Thompson Publishing Group, "Techniques for Monitoring Federal Subawards."

### **XIII. File Location**

[Subrecipient Status Questionnaire – Exhibit 1](#)

[Subrecipient Risk Assessment Matrix – Exhibit 2](#)

[Subrecipient Risk Assessment Form – Exhibit 3](#)

[Application for Determination of Sole Source Procurement – Exhibit 4](#)

[Regent Notification Memo – Exhibit 5](#)

[Annual Audit Certification Letter – Exhibit 6](#)

[Audit Monitoring Form – Exhibit 7](#)

[Closeout Letter – Exhibit 8](#)

[Subagreement Template](#)

[Subagreement Exhibit C: NMIMT “Vendor ” Registration Form](#)

[Subagreement Exhibit D: Reporting Requirements](#)

[Subagreement Exhibit E: Certificate of Current Cost or Pricing Data](#)

[Subagreement Exhibit F: FFATA Form](#)