

ADMINISTRATIVE DIVISION	FINA Administration and Finance
POLICY NUMBER	FINA 3.31
POLICY TITLE	Grants and Funds Management – Subrecipient Monitoring Policy
SCOPE OF POLICY	USC System
DATE OF REVISION	May 23, 2023
RESPONSIBLE OFFICER	Executive Vice President for Finance and Chief Financial Officer
ADMINISTRATIVE OFFICE	University Finance – Controller’s Office

PURPOSE

As a recipient of federal funding the University of South Carolina is required to comply with the Office of Management and Budget Circular Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (“Uniform Guidance”) as well as other federal requirements for monitoring the programmatic and financial activities of its Subrecipients to ensure proper stewardship of sponsor funds. The following policy applies to all subawards issued under sponsored programs regardless to the primary source of funding.

DEFINITIONS AND ACRONYMS

Principal Investigator (PI): The faculty member the sponsor has designated with the overall responsibility of the grant award.

Pass-through Entity: Non-federal entity that provides an award to a subrecipient to carry out a program; sometimes referred to as the “prime” or “lead” organization.

Subaward: Enforceable agreement, issued under a prime sponsored project, between a pass-through entity and a subrecipient for the performance of a substantive portion of the program or specific scope of work.

Subrecipient: Organization or entity that receives a financial award and is responsible for performing a substantive portion of the program or scope of work and performance is measured against whether the objectives of the sponsored program are met.

USMC: This acronym stands for the University Subrecipient Monitoring Committee. This Committee is led by the Controller’s Office Compliance Area with the purpose of reviewing the risk level of Subrecipients on an as needed basis.

POLICY STATEMENT

As the recipient of a primary award for a sponsored project, the University may award financial assistance to a Subrecipient to facilitate performance of and payment for specific work to be conducted by such Subrecipient in connection with the sponsored project. As a condition to its acceptance of funding from a sponsor, the University is obligated in its role as recipient of the primary award to undertake certain stewardship activities and to ensure compliance by the Subrecipient with federal, state and local laws and with the restrictions placed upon the primary award by the sponsor. When the University assigns responsibility for conducting a portion of the work under the primary award to a Subrecipient, the University

remains responsible to the sponsor for managing funds and meeting performance goals. This responsibility involves:

- A. Pre-award assessment of the proposed Subaward and Subrecipient;
- B. Post-award monitoring of the programmatic and financial activities of the Subrecipient under the Subaward, and
- C. At closeout, determination that applicable administrative tasks and project work have been completed by the Subrecipient.

Failure to adequately monitor the compliance of Subrecipient could result in reputational damage to the University and jeopardize current and future funding. It is the responsibility of the University, as the pass-through entity, to ensure the good stewardship of sponsored funding. All funds assigned to Subrecipient organizations should receive the same due diligence as sponsored funds that remain at the University.

This policy applies to Subawards issued in connection with sponsored projects undertaken by Principal Investigators (PIs) regardless of the primary source of funding. Subrecipient monitoring responsibilities are shared among the following:

Principal Investigators (PIs):

- Ensure the completion of the required Subrecipient Commitment Forms to assist in the Pre-award risk assessment and preliminary review of the organization at the proposal and award stage as necessary.
- Use of any Subrecipient organization designated as a high risk must be reviewed and approved by the University Controller and College Dean.
- Confirm the statement of work, budget, and review any non-standard terms and conditions of the subaward during the agreement negotiation process.
- Monitor programmatic progress and ability of the subrecipient to meet objectives of the subaward.
- Review and approve subrecipient invoices by PI or designee.
- Monitor each subaward throughout the period of performance and escalate concerns to the University Subrecipient Monitoring Committee (USMC).

Office of Sponsored Awards (SAM)

- Complete Pre-award risk assessment and preliminary review of each Subrecipient organization.
- Coordinate special terms and conditions based on results of pre-award risk assessment with the USMC and PIs for organizations flagged as higher than low risk.

- Incorporate additional terms into subawards if needed, based on annual Post-award monitoring, information obtained from PI, department, etc. as necessary.
- Use of any Subrecipient organization designated as a high risk must be reviewed and approved by the University Controller and College Dean.

The Controller’s Office – Compliance Area

- Perform annual Post-Award Compliance Risk Assessment of all Subrecipients.
- Review information obtained from subrecipient organization Compliance Risk Assessment, review their audit reports (as applicable), and assign a risk rating.
- Coordinate with USMC to review the terms and conditions of any subawards that are flagged as high risk to determine the appropriate next steps as necessary.
- Perform other post-award monitoring activities as necessary, such as desk audits, requesting updates on corrective action plans, etc.

University Subrecipient Monitoring Committee (USMC)

- On an as needed basis, review Pre-award risk assessments to evaluate if additional or special terms are needed.
- Review problematic subawards as identified by PIs, departments, or Grants and Funds Management and assist with resolution and establishment of additional monitoring criteria or controls as needed.
- Review Post-award Compliance Risk Assessments as necessary to evaluate if additional or special terms are needed for organizations flagged as high risk.

PROCEDURES

The procedure for this policy provides details on the administration and management of monitoring Subrecipients for the University. The procedure is located at [Subrecipient Monitoring Procedure](#)

RELATED UNIVERSITY, STATE AND FEDERAL POLICIES M

[FINA 3.15 Contracts and Grants - Closeouts](#)

[FINA 3.19 Contracts and Grants - Elimination of Accounts Overdrafts](#)

[FINA 3.35 Grants and Funds Management - Cost Transfer Policy](#)

[FINA 9.10 Cost Accounting Standards \(CAS\)](#)

HISTORY OF REVISIONS

DATE OF REVISION	REASON FOR REVISION
May 23, 2023	New Policy