

## 18-112 Subrecipient Monitoring

We have completed our audit of subrecipient monitoring. This audit was performed at the request of the UTHealth Audit Committee and was conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing*.

### BACKGROUND

Title 2 of the Code of Federal Regulations Part 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (2CFR § 200) outlines the requirements for subrecipient monitoring and management. The Office of Sponsored Projects Administration (SPA) supports UTHealth faculty, staff, and students in the acquisition and administration of programs funded from sources outside of the institution. Specifically relating to subrecipient monitoring and management, the following department procedures have been established and implemented:

- The Grants & Contracts division (Grants & Contracts) within SPA established the *Federal Subrecipient Monitoring and Management Process* procedure, which outlines the risk assessment process overview, documentation, and determination of risk level for each subrecipient.
- The Post-Award Finance division (PAF) within SPA established the *Subrecipient Management* procedure, which outlines the subaward document review, setup and invoice tracking for each subrecipient.

In addition, individual departments and Principle Investigators are responsible for monitoring the subrecipient's performance and costs as required by the agreements.

### OBJECTIVE

The objective of this audit was to determine whether the subrecipient monitoring efforts at UTHealth are adequate and functioning as intended to ensure compliance with federal guidelines.

### SCOPE PERIOD

The scope period was June 1, 2017 through March 31, 2018.

### METHODOLOGY

The following procedures were performed:

- Selected a sample of Federal subrecipient agreements (25) from June 1, 2017 through March 31, 2018 and performed the following:
  - Verified subrecipient involvement based on characteristics outlined in 2CFR §200.330(a).
  - Verified the existence of required federal award identification elements as required by 2CFR §200.331(a) (1) and 2 CFR §200.331(a) (4).
  - Verified the existence of specific requirements and/or conditions as outlined in 2CFR §200.331(a) (2), 2CFR §200.331(a) (3), 2CFR §200.331(a) (5), 2CFR §200.331(a) (6) and 2CFR §200.331(c).

**18-112 Subrecipient Monitoring**

- Verified the completion of a risk assessment for each subrecipient as required by 2CFR §200.331(b), including verifying the subrecipient was audited as required by 2CFR §200.331(f).
- Verified the existence of monitoring activities as required by 2CFR §200.331(d) with consideration of suggested monitoring tools outlined in 2CFR §200.331(e).

**AUDIT RESULTS**


A&AS identified areas of improvement related to:

- Risk Assessment and Single Audit Documentation; and
- Federal Award Information

**NUMBER OF PRIORITY & HIGH FINDINGS REPORTED TO UT SYSTEM**

None

We would like to thank the staff and management within the Sponsored Projects Administration who assisted us during our review.



Daniel G. Sherman, MBA, CPA, CIA  
Assistant Vice President

**MAPPING TO FY 2018 RISK ASSESSMENT**

<b>Risk (Rating)</b>	Insufficient process to ensure subrecipient monitoring is performed. (High)
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**AUDITING & ADVISORY SERVICES ENGAGEMENT TEAM**

<b>Assistant Vice President</b>	Daniel G. Sherman, MBA, CPA, CIA
<b>Audit Manager</b>	Nathaniel Gruesen, MBA, CIA, CISA, CFE
<b>Auditors Assigned</b>	Kathy Tran, CIA, CFE Diarra Boye, CIA, CFE
<b>End of Fieldwork Date</b>	7/17/2018
<b>Issue Date</b>	8/16/2018

**Copies to:**  
Audit Committee  
Michael Tramonte  
Kathleen Kreidler  
Carmen Martinez  
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**18-112 Subrecipient Monitoring**

<p><b>Issue #1</b></p>	<ul style="list-style-type: none"> <li>• 2CFR § 200.331(b) requires all pass-through entities to evaluate each sub recipient’s risk of noncompliance with federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining the appropriate subrecipient monitoring.</li> <li>• Staff in Grants &amp; Contracts are responsible for assessing the risk of all subrecipients who receive federal funding using the template titled <i>Subrecipient Risk Assessment</i>.</li> <li>• The risk assessment process includes a review of the subrecipient’s most current single audit, third party audit or audited financial statements.</li> </ul> <p>A&amp;AS reviewed a sample of 25 federal subawards and noted the following:</p> <ul style="list-style-type: none"> <li>• 5 out of 25 (20%) subrecipient’s risk assessments were completed after UTHealth and/or subrecipient signed the agreement/amendment, and</li> <li>• 11 out of 25 (44%) subrecipient’s copies of audit reports were not maintained.</li> </ul>
<p><b>Recommendation #1</b></p>	<p>We recommend SPA implement a process to ensure:</p> <ul style="list-style-type: none"> <li>a) Each subrecipient’s risk assessment is performed prior to the completion of any agreement/amendment, and</li> <li>b) A copy of each subrecipient’s most current single audit, third party audit or audited financial statements is maintained.</li> </ul>
<p><b>Rating</b></p>	<p>Medium</p>
<p><b>Management Response</b></p>	<p>SPA will implement a process to ensure:</p> <ul style="list-style-type: none"> <li>a) Staff is retrained to performed subrecipient’s risk assessments prior to the completion of any agreement/amendment.</li> <li>b) Evidence to support the review of each subrecipient’s most current single audit, third party audit or audited financial statements. The review process will include documentation of the date of the review, the name of the reviewer and notes for any findings. SPA will also implement a quarterly assessment of its audit report review processes to ensure proper documentation is maintained.</li> </ul>
<p><b>Responsible Party</b></p>	<p>Carmen Martinez, Director of Grants and Contracts, SPA</p>
<p><b>Implementation Date</b></p>	<p>10/1/2018</p>

**18-112 Subrecipient Monitoring**

<b>Issue #2</b>	<p>2CFR § 200.331 (a) requires all pass-through entities to ensure every subaward is clearly identified to the subrecipient as a subaward and includes the various required federal award identification information at the time of the subaward.</p> <p>A&amp;AS reviewed a sample of 25 federal subawards and noted information related to the subaward agreement/amendment was not consistently and accurately documented. For example:</p> <ul style="list-style-type: none"> <li>• 4 out of 25 (16%) agreements did not show the correct total amount;</li> <li>• 4 out of 25 (4%) agreements/subaward did not have complete information. For example, one subaward period of performance notated in the SPA report did not match the agreement, one amount funded by the agreement was not recorded in SPA report, one subrecipient's unique entity identifier (i.e. DUNS number from SAM) was not identified, and one contact information for the pass-through entity was not identified;</li> <li>• 1 out of 25 (4%) agreements did not identify the indirect cost rate.</li> </ul>
<b>Recommendation #2</b>	We recommend SPA implement a process to ensure information related to the subaward agreement/amendment is consistently and accurately documented
<b>Rating</b>	Medium
<b>Management Response</b>	SPA will retained its Staff to stress on ensuring information related to the subaward agreement/amendment is consistently and accurately documented. Quarterly informal reviews will be performed to ensure compliance.
<b>Responsible Party</b>	Carmen Martinez, Director of Grants and Contracts, SPA
<b>Implementation Date</b>	10/1/2018