

Sponsored Projects Administration Compliance –  
Subrecipient Monitoring  
Internal Audit Report # 2015-40  
August 19, 2015

Reviewed by:



Dr. Ricardo Romo  
President

EXECUTIVE SUMMARY  
Sponsored Projects Administration Compliance – Subrecipient Monitoring  
Internal Audit Report # 2015-40

**Objective**

Determine if UTSA's subrecipient policies are being adhered to and comply with federal research Uniform Guidance.

**Conclusion**

UTSA's subrecipient policies are being adhered to and comply with federal research Uniform Guidance. Enhancement to the subrecipient monitoring risk assessment methodology is needed.

**Recommendation**

Modify the subrecipient risk assessment methodology to ensure the risk related to a subrecipient is accurately reflected.

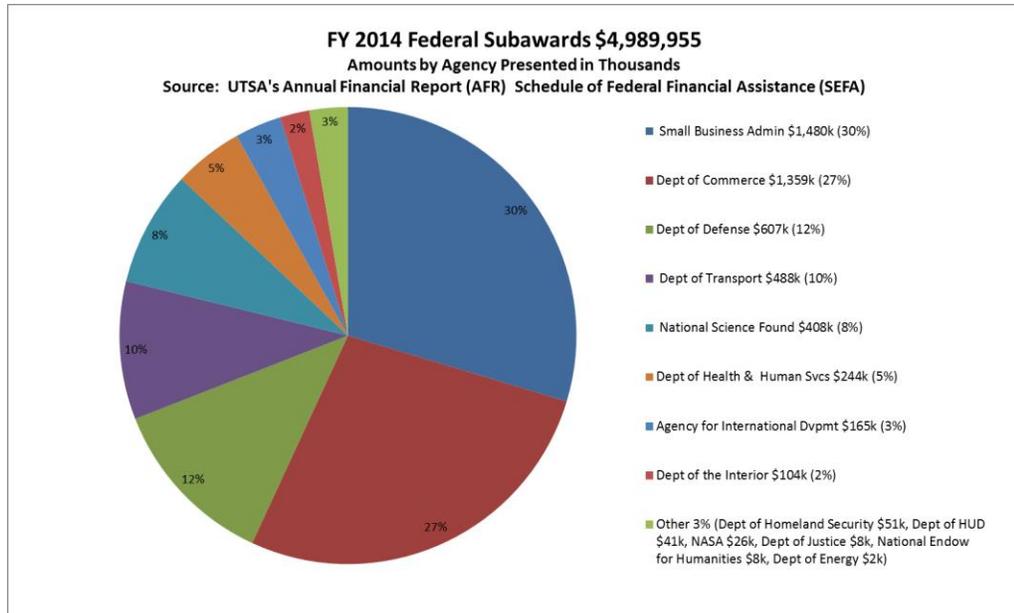
**Scope**

Subawards issued to subrecipients from November 2014 – May 2015 were reviewed. The Office of Sponsored Projects Subaward Management Policy and the Office of Management and Budget (OMB) Uniform Guidance on subrecipients was reviewed. Interviews were conducted with the Post Award Liaison and Audit Manager and the Associate Vice President for Sponsored Project Administration.

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**Background**

When UTSA receives a research grant award directly from a funding agency to conduct research, UTSA is considered the prime recipient. In certain instances, UTSA (prime recipient) provides a financial portion of the grant award (subaward) to another organization (subrecipient) to assist in the performance of the research. The subrecipient receives the subaward and is accountable to UTSA for the use of the funds. For FY2014, UTSA had federal research expenditures of \$38M in which \$5M was awarded to a subrecipient.



As the prime recipient, UTSA is responsible for monitoring the programmatic and financial activities of its subrecipients in order to ensure proper stewardship of the funds.

**Responsible Parties**

At UTSA, subrecipient monitoring responsibilities are shared among the following:

- **Principal Investigators (PIs)** have primary responsibility for monitoring subrecipients' progress, and ensuring compliance with federal regulations and both prime and subrecipient award terms and conditions.
- **Office of Sponsored Project Administration (OSPA)/Research Service Centers (RSC)** assist PIs in reviewing their monitoring responsibilities, reviewing subrecipient invoices, identifying, and following up on questionable expenditures, if necessary, and maintaining documentation of monitoring efforts. **OSPA Subaward Team** conducts subrecipient risk assessments, assists in developing

monitoring plans, and reviews results of subrecipient findings, corrective action plans, and other issues brought to its attention. The Subaward Team will ensure that policies are followed and applied consistently. Additionally, the Subaward Team may provide training and guidance in interpreting regulations and subrecipient award terms and conditions.

- **The Assistant Vice President for Sponsored Project Administration** reviews and approves certain high-risk subrecipients at the proposal stage or as necessary during the life of the award based on appropriate procedures herein.

**A-133 Single Audit - Research and Development**

New federal research Uniform Guidance (Uniform Guidance) became effective December 26, 2014 and included more stringent monitoring of subrecipient awards.

The FY 2014 SAO Single Audit Report on Research and Development included numerous subrecipient monitoring recommendations for other Texas universities including lack of reporting on subrecipient awards, lack of obtaining A-133 Single Audits for subrecipient awards, and lack of monitoring activities when paying subrecipient awards costs.

The State Auditor's Office (SAO) rotates among the higher education institutions for the Research and Development portion of the Single Audit each year. The University of Texas at San Antonio was included in limited scope in 2007 and 2012. As UTSA increases its research expenditures, the SAO will likely include UTSA in future Research and Development Single Audits.

## AUDIT RESULTS

**OSPA Policy** | In November 2014, OSPA enhanced their centralized assistance to Principal Investigators in subrecipient monitoring by creating a Subaward Management Policy. The OSPA Subaward Management Policy complies with the new federal research uniform guidance (Uniform Guidance).

For the subawards sampled, which were entered into after November 2014, the OSPA Subaward Management Policy was being followed. OSPA verified that subrecipient audit reports are obtained, monitoring duties are communicated to PIs, and subrecipient risk assessments are performed.

**Risk Assessment** | As part of the OSPA Subaward Management Policy, OSPA completes a risk assessment matrix which assigns a numeric score to 15 key categories. Each category is weighted the same and an average risk score is generated based on a summation of all scores. Some of the 15 categories include:

- Location,
- Experience with the subrecipient,
- Financial audit results,
- Amount/ratio of award passed through,
- Scope of work,
- Cost sharing, and
- Pace which subrecipient is spending award

Each factor is rated low, medium, or high and is scored as 1, 2, or 3 respectively. Since the subrecipient risk assessment matrix rating methodology does not place a weighted value on the 15 categories, lower impact categories are offsetting the impact of higher importance categories.

Based on this overall risk score, there are three possible levels of subrecipient monitoring performed by OSPA:

- Low – Review subrecipient audit reports and review of invoices for reporting accuracy, completeness, timeliness, work performance and compliance.
- Medium – As above and evaluate and respond to findings in subrecipient’s audit report, if any. Address outstanding risks with OSP Subaward Team. Request invoices be presented more frequently for enhanced monitoring. Request and review financial statements more frequently, if possible.
- High – As above and perform audits, site visits or desk reviews as appropriate. Obtain supporting detail on all financial

invoices and expenses. Maintain regular contact with PI. Document and retain all relevant emails. Withhold payments, if necessary.

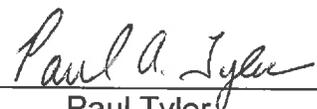
Currently, all subawards are receiving the low level of monitoring from OSPA.

<b>Recommendation:</b>	Modify the subrecipient risk assessment methodology to ensure the risk related to a subrecipient is accurately reflected.
<b>Management's Response:</b>	In order to improve the current risk assessment tool, OSPA will consider assigning a weighted value to the 15 categories being rated. As another alternative, OSPA will consider the use of the Risk Assessment Questionnaire (RAQ) and RAQ Guidance document recently published by the Federal Demonstration Partnership <a href="http://sites.nationalacademies.org/PGA/fdp/PGA_063626">http://sites.nationalacademies.org/PGA/fdp/PGA_063626</a> . OSPA will evaluate the FDP RAQ model to determine its usefulness and applicability to OSPA operations for future subrecipient monitoring.
<b>Responsible Persons:</b>	Post Award Liaison & Manager of Audits, Assistant Vice President for Sponsored Projects Administration
<b>Implementation Date:</b>	November 30, 2015

**CONCLUSION**

UTSA's subrecipient policies are being adhered to and comply with federal research Uniform Guidance. Enhancement to the subrecipient monitoring risk assessment methodology is needed.

  
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This engagement was conducted in accordance with The Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing.