



“Reasonable in Relation to Risk”

1. **Often Use Single Audit Reports** (Previous Known as A-133) from Census.gov Federal Audit Clearinghouse:

- Explore and Assess any Audit Finding on Report
 - Review Full Audit Report if Findings are Identified
 - Must have Management Response on file if related to Sub
- Use Completed NU Subrecipient Compliance Information Form (FCOI, Fiscal Responsibility, Internal Controls) in lieu of Single Audit Report
- ***Auditee qualified as a low-risk auditee? Yes or No***

2. **Risk Assessment Considerations:**

- Prior Experience, Type of Entity, Foreign or Domestic, Location of Project, Facilities and Infrastructure, Debarment/Suspension/Excluded Parties for Org & PI, FCOI, \$ Amount of Project, Complexity, Sensitivity, Award Type



“Trust But Verify” “Due Diligence” “Continuous Improvement”

4. Certifications (By PI on Signed NU Subaward Request Form):

- Services of Sub are essential to the project and can't be provided at NU;
- Selected Sub most advantageous for the project;
- Disclose any Conflict of Interest;
- Proposed costs are reasonable for proposed technical effort and allowable under Terms & Conditions of Sponsor's Award
- *Certifications also on Sub Letter of Commitment/Intent*

5. Verifications (ORAF); IRB, IACUC or Other Approvals on File, Federally Approved F&A Rate:

1. If Sub does not have Federally Approved F&A Rate:
 - a. Then 10% de minimis rate can be used (UG)
 - b. Always work with ORAF with F&A rates on a case by case basis especially for commercial/for-profit entities



“Risk Assessment Determines Monitoring. 90/10 Rule.”

6. Monitoring (ORAF, PI, College); Programmatic/Technical Performance; PI/College Promptly Reports any Sub Problems or Concerns to ORAF, Invoice and Cost Share Review: Costs are Allowable, Allocable, Reasonable, Timely (30 Day UG Rule); Costs in Alignment with Approved Budget; Sufficient Spending Rate;

Monitoring Sheet used for each Sub File (needed for Audits – PWC, Sponsor), which includes Risk Determination and Periodic Reviews as needed (often each Fiscal Year)

7. Federal Reporting (ORAF, PI, College); FFATA; E-Verify & SAM.gov for Contracts; Timely and Accurate Financial & Programmatic Reports to Sponsor including Equipment, Patents



“Evaluate each sub-recipient’s risk of noncompliance.” 2 CFR 200.331

- Low Risk:**
1. No Audit Findings & assessed as low risk by auditors
 2. Minor Audit finding(s) & assessed as low risk by auditors

- Medium Risk:**
1. Organization without prior experience with Federal awards
 2. Small Organization with sufficient accounting systems & internal controls

- High Risk:**
1. Prior Audit finding(s) with major deficiencies/material weakness
 2. Organization without sufficient accounting systems & internal controls (often international)
 3. Prior PI/Org Debarment or Suspension
 4. Prior Non-Performance with NU

With Sponsor Approval, Fixed Price Subawards can be used when Subrecipient is High Risk



High Risk Subaward Requirements (Northeastern)

A. More Frequent Monitoring:

1. Programmatic (Progress Reports)
2. Invoices (Expenses align with sub-recipient's budget and are Reasonable, Allowable, Allocable, Consistent,)

B. More Frequent Communication:

1. PI and ORAF keep detailed records of communications regarding unsatisfactory performance by the sub-recipient
2. PI reports any unsatisfactory performance to ORAF promptly

C. Site Visits

D. Stringent Review of Audits:

1. *"Auditees must review and respond to and address all audit findings as quickly as possible, and not wait until audit reports are submitted."* (Huron Education)
2. Take prompt action when instances of noncompliance are identified

E. Corrective Action or Termination



International Subrecipients normally need more monitoring:

- Likely to be unfamiliar with UG and Federal Agency Requirements
- Foreign Currency Fluctuations
- May not have adequate controls and systems in place

Further Discussion:

Distinction between a Non Profit Subrecipient (UG) and a For Profit Commercial Subrecipient (FAR)

COSO Approach from Internal Audit



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