

## SUBRECIPIENT AWARD ISSUES

### Case Study # 18: Where are We in this Program?

Professor South is the principal investigator at Eastern University on a cooperative agreement from NASA where there is a large cost sharing requirement. The award is for \$4 million over a three year period and includes cost sharing of 20% of the total budget. The project includes subawards to two other universities (Northern College and Western Institute) and one for profit corporation (Equator, Inc.). Each of the subrecipients has submitted a budget for its portion of the work, including detailed cost sharing budgets and the subawards to each subrecipient incorporated the cost sharing budgets by reference.

At the halfway point in the project, Northern College invoiced at 40% of their total budget and certified cost sharing at 30% of their cost share budget but in different budget categories as their proposed cost sharing budget. Western Institute invoiced for 75% of their total funding and certified to less than half their cost share requirement. Equator, Inc. submitted detailed documentation exactly as specified in its proposal and award budgets and is exactly on target but wanted to provide cost sharing information only at the end of the project.

- *What is a good strategy to use when monitoring the fulfillment of cost share requirements of both the prime award and the subawards?*
  - Communication is the key. Without clear lines of communication between the prime and the subrecipient, a subrecipient's failure to fulfill their cost sharing obligation becomes a financial problem/risk for the prime. Subrecipients should be required to regularly report progress in fulfilling cost sharing requirements. Incorporating cost share reporting as part of the invoicing process, allows the prime's PI, the PI's unit and the prime institution to monitor the subrecipient's progress in fulfilling its obligation.
- *What about the spending rate for each subrecipient?*
  - Cost share spending rates should be closely monitored because any shortage of cost share by the subrecipients becomes the responsibility of the prime at the end of the project. Although a one to one ratio of direct costs to cost share is not required, a close proximity of the ratio is desirable. The prime has the right to question the cost spending rate of the prime.
- *If a subrecipient accumulates its cost sharing expenses in budget categories other than those proposed or referenced in the award document, does this impact the prime's ability to monitor the fulfillment of subrecipient cost sharing requirements?*
  - No. It has nothing to do with the ability of the prime to monitor progress. The only exposure might be if the prime award and subawards restricted cost-sharing to specific line items. Such a restriction would not interfere with the prime's monitoring; however, it would call into question the quality of the prime's monitoring.
- *Is there any problem with the documentation submitted by Equator, Inc.?*
  - Since industry often has accounting systems which are not approved by the federal government, documentation for cost sharing (as well as invoicing of direct costs) requires much closer monitoring. It is important that adequate documentation be provided on a timely basis so that the prime can be assured that the cost share documentation is acceptable.