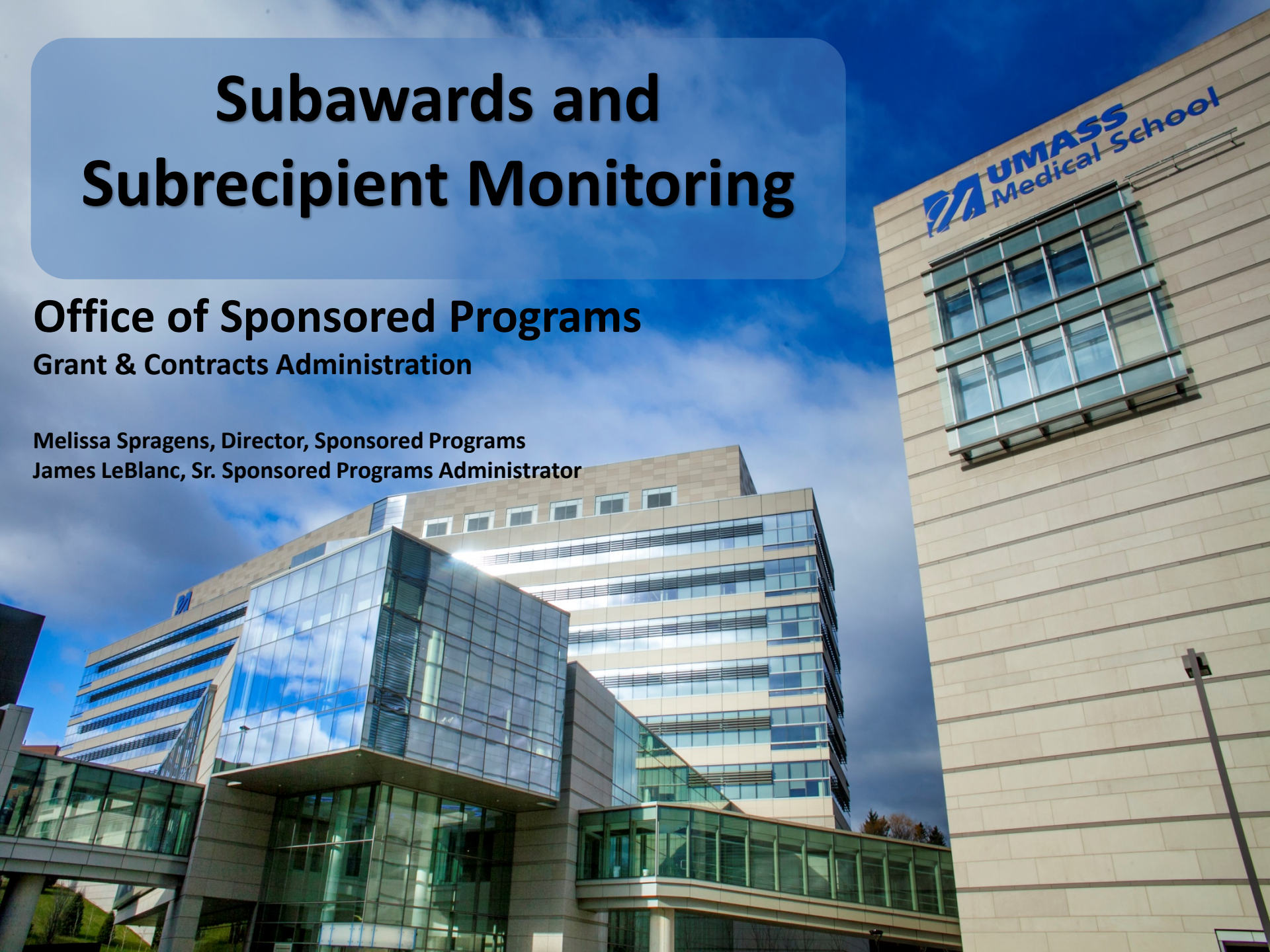


# Subawards and Subrecipient Monitoring

## Office of Sponsored Programs Grant & Contracts Administration

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# Learning Objectives

- ☐ What is a Subaward
- ☐ Subrecipient Monitoring
- ☐ Preparing for a Subaward and Assessing Risk
- ☐ Managing a Subaward

## FY18 UMMS had 287 active subawards

- Mainly local – MIT, Harvard, Northeastern, MGH, etc.
- Outliers – University of Pittsburgh, University of Washington and Yale
- Included were new agreements, amendments or modifications
- Sponsors included federal, industry and foundation awards

# What is a Subaward?



# What is a Subaward?

A binding legal agreement between your institution and another legal entity where:

- A defined portion of your sponsored project's intellectually significant activity is assigned to another entity (“the subrecipient”) to fulfill
- Work is generally performed by the subrecipient’s personnel using their resources, usually at their site
- The subrecipient takes full responsibility, including intellectual leadership, for the portion of the work statement that they will undertake
- Responsible for programmatic decision making
- Could result in IP developed or publishable results
- The award terms and conditions you accepted from your funding agency are “flowed down” to the Subrecipient, who must also agree to comply with them, e.g. audit requirements, Prior approval requirements, compliance approvals, conflict of interest, etc.



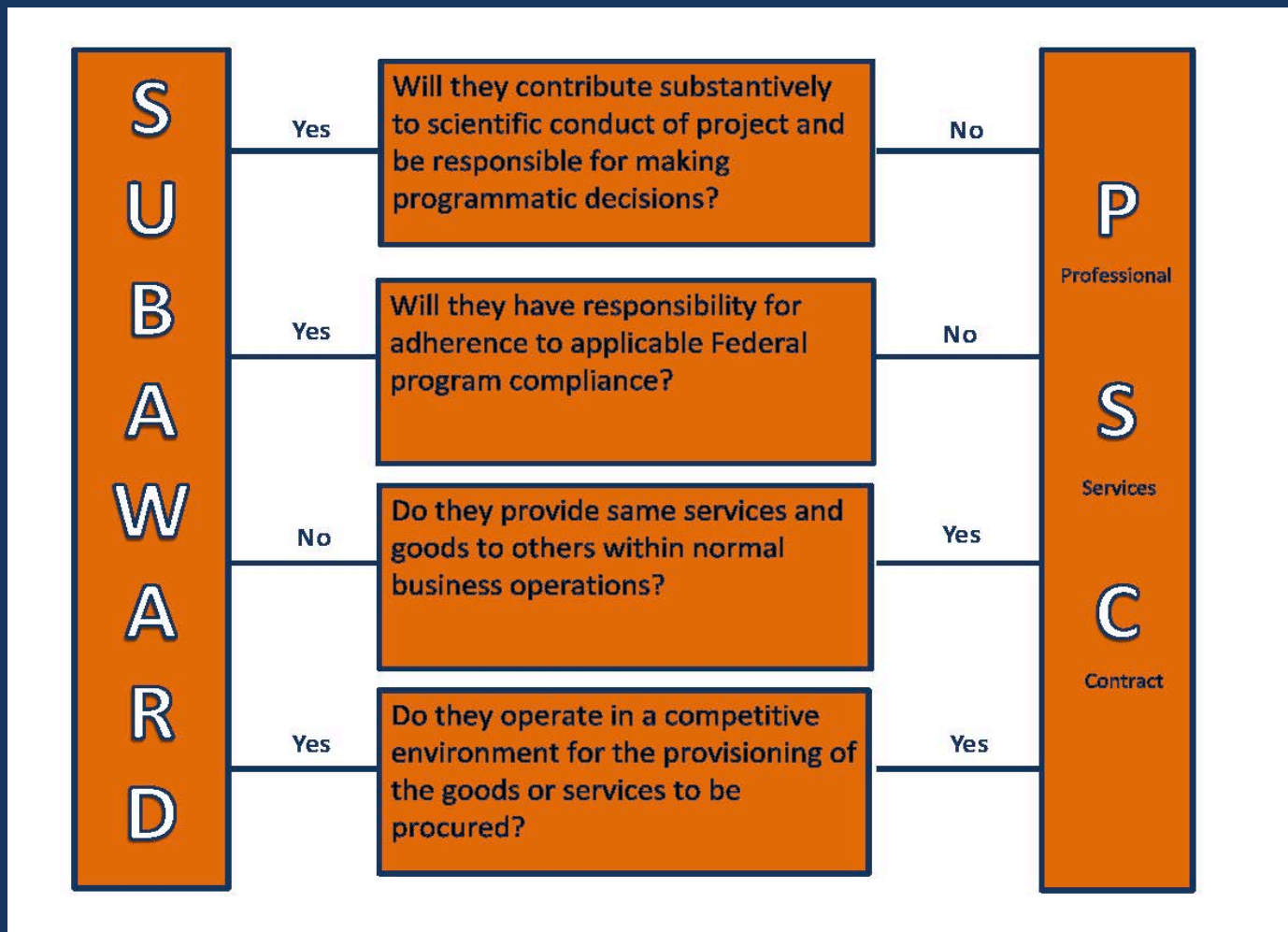
# Not a Subaward if...

The entity you are contracting to...

- Provides the goods or services within its normal business operations (i.e. commercially available supplies and materials)
- Provides similar goods or services to many different purchasers
- Normally operates in a competitive environment
- Provides goods or services that are ancillary to the operation of your institution's sponsored project
- Is not subject to compliance requirements of your institution's sponsor

# Defining the Work

## Is it a Subaward or a Contract for Services?



# Is it a sub - Case Study #1

Professor G tells you that she is preparing a proposal and one of the things she needs can be done by a survey center that does this kind of work for PIs all over the country. The survey center will gather data from 1,000 respondents using telephone surveys developed by Dr. G. The center will collect the data in an electronic database and deliver it for analysis to Dr. G. The cost is \$30/ respondent, or \$30,000.



# Is it a Sub – Case Study #2

Dr. Smith needs the expertise of his colleague at the University of Washington in order to carry out the aims of his project.

How would this collaboration be structured as a subaward?

How would this collaboration be structured as a consulting/vendor agreement?

# Subrecipient Monitoring



# Subrecipient Monitoring

- Subrecipient monitoring is a series of controls, policies, procedures, and best practices put in place to ensure the compliant use of pass-through federal funding to entities performing intellectually significant work for the benefit of an overall project.
- This is achieved through the monitoring of subrecipient activities and financial stability to identify and mitigate risk or non-compliance.
- Pass-through entities have a responsibility to act on behalf of the federal government and taxpayers to be good stewards of the federal funding received and passed through.

# PTE Responsibilities

## Evaluate Risk (2 CFR section 200.331 (b)):

Evaluate each subrecipient's risk of noncompliance for purposes of determining the appropriate subrecipient monitoring related to the subaward. This includes factors such as:

- The subrecipient's prior experience with the same or similar subawards;
- The results of previous audits

## Monitor (2 CFR sections 200.331(d) through (f)):

Monitor the activities of the subrecipient as necessary to ensure funding is used for authorized purposes, complies with terms and conditions, and achieves performance goals.

# PTE Responsibilities

How to manage:

- Correctly classify subrecipients vs. vendors
- Conduct a risk assessment at both the sub and project level
- Collect the sub's single audit report annually
- Issue a Management Decision Letter (MDL) for any R&D findings within six months of receiving the audit
- Ensure the sub complies with their corrective action plan
- Flow down requirements, terms, and conditions from the prime agreement
- Have an internal control structure
- Ensure the sub is not debarred or suspended

# Preparing for a Subaward





# Subaward Life Cycle

| Type of Sub: UMMS Prime (outgoing sub) |   | UMMS Subrecipient (incoming sub)  |
|--|---|---|
| Proposal                               | Letter of Intent (LOI)<br>Scope of Work<br><br>Budget-PHS 398 forms or SF 424 forms<br>Budget Justification   | Proposal Packet<br>OSP prepares LOI- need Prime Sponsor and Sponsor PI name<br>Scope of Work<br>Sponsor Guidelines, if applicable???                              |
| JIT                                    | Other Support<br>Protocol Letters, if applicable<br>Human Subject Education, if applicable<br>F& A Rate Agreement, if applicable                            | Other Support*<br>Protocol Letters, if applicable*<br>Human Subject Education, if applicable*<br>F& A Rate Agreement, if applicable<br>* Does not need OSP review |
| Award                                  | SOW (word doc)<br><br>PHS 398 fp 4 (word doc)<br>Subrecipient Data Request Form<br>If new Vendor, must submit completed W-9 form to Accounts Payable first. | Revised budget and justification, if reduction of 10% or more, or if there are exclusions in the budget.  |
| Annual Progress Report                 | Other Support for all Key Personnel<br>All Personnel Report   | APR form<br>Copies of all reports required by sponsor.<br><br>Protocol letters, if applicable<br>SDFI form  |
| Continuation/Modification Award Notice | PHS 2590 budget<br><br>SOW, if changed from previous year   | ???   |
| Renewals                               | Same information as Proposal  | Same information as Proposal  |
| Closeout                               | Final invoice must be processed   | OSP needs to receive copies of closeout documents required by sponsor.<br>Notify OSP of closeout  |

# Proposal Preparation

## Proposal

- Scope of Work (SOW)
  - Verify that a subaward is the appropriate vehicle to fund the work
- Budget and Justification
  - Ensure the F&A rate in the budget complies with sponsor requirements
- Any other documents required by the Sponsor
- Commitment of participation by the Subrecipient institution (Letter of Intent)

## Just in Time

- Other Support
- IACUC/IRB approvals
- Human subjects education verification

# Award Stage

Award

Scope of Work (word version)

Revised budget/justification if a reduced budget

And.....



# Compliance Requirements

- Determine Financial adequacy of the subrecipient
  - Acceptable Single Audit, DCAA audit, financial statements, or financial questionnaire
  - Obtain evidence of F&A/Fringe rates
  - Conduct and document formal or informal cost & pricing analysis and certificate if needed
- Confirm sub has a valid DUNS number and should be registered in SAM.gov (for federal awards)
- Verify all necessary approvals have been received
  - Sponsor approval
  - Compliance approvals (i.e. IRB, IACUC)
- If sub has no federally negotiated F&A rate they will need to use the 10% de minimus
- Assess subrecipient risk level for both the project and the entity by completing a risk assessment

# Risk!!!

**UMMS SUBRECIPIENT RISK ASSESSMENT MATRIX**

|     | Category                                   | Lower Risk  | Medium Risk   | Higher Risk   |
|-----|--|---|---|---|
| 1.  | Foreign vs. Domestic                       | Domestic (US only)  | Canada, US territories  | All other international locations   |
| 2.  | Facilities and Infrastructure              | Work occurs in adequate, established space at subrecipient's facility                   | Some work done at UMMS facilities   | Subrecipient's lab resources are inadequate, requiring that work occur on UMMS campus |
| 3.  | Maturity of Organization                   | Mature (e.g. more than 10 years)  | Mature, but not research oriented   | Start-up, no fiscal controls in place yet   |
| 4.  | Organization Type                          | University or Non-profit (Collegial Terms and Conditions (T&Cs))                        | University or Non-profit with more restrictive T&Cs (e.g. state regulations)  | Industry organization   |
| 5.  | Award Type                                 | Grant from federal or non-commercial source   | Coop agreement or grant with special conditions   | Contracts and contracts with subcontracts   |
| 6.  | Amount/ Percentage of Award Subcontracted  | Lower funding levels or percentage of total funds allocated to subrecipient (e.g. <50%) | Funding is a large part of smaller award  | Funding level >\$500K or >49% of award  |
| 7.  | Accounting/ Procurement Systems            | Systems have been approved (existing audit is an indicator)                             | Systems less qualified to handle large amounts of federal money (Financial audit conducted but not required by Uniform Guidance Audit Requirements) | No systems are in place, or systems are new   |
| 8.  | Negotiated Indirect Cost Rate Agreement    | Has detailed negotiated rate agreement  | Has simple rate agreement   | Does not have negotiated rate agreement   |
| 9.  | Audit Report                               | Has annual audit as required by Uniform Guidance Subpart F                              | Has annual third-party financial audit  | Has not had an annual financial audit   |
| 10. | Prior experience with UMass Medical School | Previous positive experience as UMMS subrecipient                                       | Previous experience as UMMS subrecipient but may have some minor concerns   | New subrecipient or previous negative experience with                                 |

## Competitive Award

- Award negotiated & accepted
- Award setup & chartfield created in PeopleSoft (PS)
- Requisition created in PS
- Approval of Requisition
  - By Department
  - By Grant Accounting
- PO number generated – used in subaward agreement as reference No/billing No.

## Subrecipient Monitoring

- Debarment website SAM – System for Award Management, checked for subrecipient compliance with debarment/suspension rule for key personnel on sub
- Federal Audit Clearing House checked for status & findings of subrecipient's last Audit
- Attachment 7 - if not in the Clearing House

# Subaward Agreement Created



# Initiating Outgoing Subawards

Items that hold up processing subawards:

- If an award is reduced and revised budgets are required for both the prime and the subrecipient
- Missing scope of work, corresponding budget, or approved protocols for any animal or human work being conducted at a collaborating site
- If the collaborator is not an established vendor in the financial system

# Risk Assessment – Case Study

Subrecipient: Influenza Prevention Foundation of Panama

Prime Sponsor: NIH

Prime Award: \$2M/year over 2.5 years

Subaward: \$750k/year over 1.5 years

Subrecipient requires: Upfront payment of \$150,000 USD to hire ~100 local nurses to administer the study and collect the samples and purchase basic study supplies and a special freezer to store the samples.

Work Being Performed: Sub will administer 250 surveys and collect blood samples from human subjects during a National Immunization Week event. They will also collect and store blood samples, and then ship the samples to UMMS. Finally the sub will de-identify subject data and send to UMMS for analysis.

# Risk Mitigation Strategies

## Increased monitoring

- Monthly technical reports
- Monthly financial reports and back up documentation

## Payment Terms

- Tie payments to specific milestones
- Withhold 20% of total funds until final reports have been received and approved

## Other Terms

- Detailed and explicit termination rights
- Re-performance requirements in the event of default
- One-way indemnification

# Managing a Subaward



## Subrecipient Monitoring

- FFATA reporting by Portfolio owner (All subs over \$25K)
- Review of invoices by Department and Grant Accounting
- PI signature attests to the satisfaction with the work being performed/reported by subrecipient
- If this is not the case – evaluate the problem – does something need to be done to make sure the research continues and the aims are met?

## Invoices

- Invoices provided by Collaborators as defined in agreement (monthly/quarterly) & mailed to Financial Contact as indicated on Attachment 3
- Invoices forwarded to Department
  - Subaward information is verified
  - Activity is reviewed for reasonableness
- PI signs invoice – indicates approval for payment
- Invoice returned to Accounts Payable for processing
- Copy of invoice should be retained by department for reconciliation of subaward



# Subaward Continuation

- Continuation of the subaward is generally at the discretion of the PI
- Subrecipients must be listed on the Annual Progress Report Form in order to prevent delays in continuing the subaward
- Amend subaward agreement at time of continuation award
- Create new subaward depending on funding mechanism
- **NOTE:** Subawards can not be extended or amended for the next budget period until the sponsor has funded the activity

# Annual Monitoring

- Collect and review single audit or other audit and financial documents
- Complete a risk assessment based on the single audit or other documents received
- Ensure that the subrecipient and PI are still not debarred or suspended
- Check in with the PI that they are satisfied with the sub's progress and adjust any contract language as needed

# Common Red Flags

- Infrequent or inconsistent invoicing
- Large amounts invoiced at the project end or,
- A spike in an invoiced amount
- Resistance when requesting back-up documentation
- Unresponsive subrecipient
- Multiple invoice revisions reflecting shifting expenses
- Frequent invoice errors
- Progress report and/or invoice costs do not align with SOW or budget
- Delay or non-receipt of deliverables
- Vague updates on technical progress

# Red Flags – Case Study

## Subaward under an NIH U-Grant

Budget = \$100,000/year for 2 years

- Carry forward requires prior approval
- Quarterly invoices received from the subrecipient:

Q1 = \$19,000

Q2 = \$21,000

Q3 = \$25,000

Q4 = \$25,000

Y1 Total = \$90,000

Q5 = \$25,000

Q6 = \$25,000

Q7 = \$30,000

Q8 = \$30,000

Y2 Total = \$110,000

You received the Q8 invoice. What do you do?

# Other Red Flags Scenarios

Domestic Collaborator in Year 1 was awarded \$237,000.00 in review of the audit information relative to the institution, there were no material weaknesses, no deficiencies in internal controls and no material noncompliance issues. In addition to the review of the collaborators audit that was on file, they certified that there were no issues relative to compliance issues. Infrequent and incorrect invoicing lead to additional scrutiny and upon execution of an amendment for the continuation period the additional requirement to provide copies of general ledger reports detailing current expenses that matched invoices along with detailed payroll reports which detailed current salary charges was incorporated into the second year.

# Responding to Red Flags

- Do not approve invoices for payment if technical or financial reports are delinquent
- Do not approve invoices that are insufficiently detailed for you to assess expenses as allowable, allocable, and reasonable
- Communicate deficiencies to the sub immediately and allow them time to make corrections
- Insert tighter contract language at the next funding increment if necessary



# Questions & Comments



1. OSP Website Contract and Subcontracts:

<https://www.umassmed.edu/research/sponsored-programs/sratoc/>

2. Electronic Code of Federal Regulations e-CFR  
Title 2 Part 200: [https://ecfr.io/Title-02/cfr200\\_main](https://ecfr.io/Title-02/cfr200_main)