Introduction

UNH is responsible for the programmatic and financial monitoring of its Sponsored Programs subrecipients. A subrecipient is a legal entity performing a portion of a UNH program (e.g., a research project) to which a subaward is made and which is accountable to UNH for the use of the funds provided.

The procedures outlined in this document are intended to define specific responsibilities around subrecipient monitoring and to assist in defining appropriate ways in which monitoring may be accomplished.

The central elements of Subrecipient Monitoring include, but are not limited to, the following tasks:
- Notifying Subrecipients of the applicable Federal laws and regulations, and flow down provisions from the prime agreement;
- Risk analysis, including review of Subrecipient audit reports and financial qualifications;
- Review of financial and performance reports submitted by the Subrecipient;
- Regular contact with the Subrecipient, including on-site visits if necessary;
- Review of expenses in comparison to the budget; and
- The authority to perform reviews or audits, if necessary.

Responsible parties:

Principal Investigators (PI)
Business Service Centers (BSCs)

Sponsored Programs Administration (SPA)

Pre–award Procedures

The proper classification of a transaction as a subrecipient or contractor relationship at the time it is proposed is critical to ensure proper accounting for costs and compliance requirements. Misclassification may result in delays in subaward processing or inaccurate calculation of costs, e.g., failure to include or exclude F&A costs, and may result in the PI having insufficient funding to carry out the proposed program. In rare cases, incorrect classification of costs may threaten the ability of the program of work to proceed, e.g., if a proposed subrecipient is ultimately determined not to have the internal controls necessary to receive funding as a subrecipient.

The PI is responsible for the following pre-award activities:
- Developing UNH proposal including external collaborator(s) in accordance with sponsor requirements; and
- Properly classifying collaborator(s) as either subrecipient(s) or contractor(s).

SPA is responsible for the following pre-award activities:
- Reviewing classification of collaborator as either subrecipient or contractor;
- Ensuring subaward is appropriately included in UNH proposal; and
- For Public Health Service (PHS) Awards, ensuring subrecipient has complied with FCOIR requirements.

The inclusion of another organization in carrying out a project does not automatically suggest that a subcontract is the most appropriate funding mechanism. The PI must ensure that sufficiently detailed information about the proposed contractor or subrecipient and their scope of work are employed in considering the Subrecipient vs. Contractor Agreement Checklist. If the information provided is inconclusive, SPA may request additional information from the PI or the proposed contractor/subrecipient.
**Time of Award Procedures**

Establishing a new subaward provides the Principal Investigator an opportunity to determine the frequency and scope for monitoring programmatic activities to ensure regular contact with the subrecipient. Regular contact should combine both formal monitoring (required reports and meetings with deliverables) and informal monitoring (telephone calls, e-mails, discussions) to ensure communications are meaningful but not burdensome.

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<tr>
<th>The PI is responsible for the following time-of-award activities:</th>
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<tr>
<td>• Completing the Just-In-Time Cost and Risk Analysis Form;</td>
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<td>• Defining time lines for deliverables in order to meet project requirements; and</td>
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<td>• Reviewing terms of subaward to prepare for oversight responsibility.</td>
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<th>SPA is responsible for the following time-of-award activities:</th>
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<tr>
<td>• Ensuring completion of Just-In-Time Cost and Risk Analysis Form;</td>
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<td>• Performing restricted party screening;</td>
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<td>• Reviewing subrecipient’s audit compliance;</td>
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<td>• Developing an agreement based on a subrecipient’s risk designation;</td>
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<td>• Flowing down applicable Terms &amp; Conditions from prime award;</td>
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<td>• Determining specific risk profile and monitoring procedures for subrecipients;</td>
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<td>• Establishing payment schedule; and</td>
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<td>• Incorporating PI’s required reports &amp; deliverables.</td>
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**Definition of Low Risk and High Risk Subrecipients: The Risk Assessment Guide**

UNH’s subrecipient monitoring activities utilize a risk-based approach to focus more frequent and diligent monitoring efforts on subrecipients who are deemed to pose an elevated risk for nonperformance or non-compliance with federal/sponsor requirements.

Low-risk subrecipients include entities with current annual single audits containing "unqualified" opinions on their financial statements, and which have no reported material weaknesses in their internal controls. Medium-risk and High-risk subrecipients are entities which have not completed annual single audits, or whose audit results have demonstrated weaknesses in administering federal funding, a history of failing to adhere to applicable provisions of contracts and grant agreements, or weak internal control structures. Medium-risk and High-risk subrecipients can also include foreign entities, foundations, for-profit corporations, the percentage of funds being passed through, program complexity, start-up entities with limited working capital and/or limited prior experience in performing sponsored work.

**Description of Risk Levels**

**Low:** Basic monitoring is appropriate. Subrecipient is sound and subaward does not introduce uncertainty into UNH’s own performance.

**Medium:** Additional monitoring is suggested. Subrecipient and/or subaward may impact UNH’s ability to complete the project.

**High:** Project requires significant monitoring. Subrecipient and/or their scope of work introduce potential for non-compliance with award terms and/or substantial uncertainty regarding UNH’s ability to complete the project.

UNH may consider these aspects of the Subaward to determine appropriate monitoring procedures:

- The percentage of the prime award passed through to the subrecipient;
- Prior experience with the subrecipient (has the entity been a subrecipient at UNH before);
• Subrecipient financial status (for-profit/non-profit etc.);
• Award size relative to subrecipient’s sponsored research portfolio;
• The scope of sponsor regulations, the sensitivity/vulnerability of the research; and
• Evidence of appropriate administrative and financial controls.

Additional elements of risk analyses, for which controls might be required, may be imposed by special award conditions in the prime agreement or by requirements mandated given the nature of the work (e.g., lab animals, human subjects, biohazards, etc.).

In the instance where the subaward size/percentage/history warrants rigorous oversight of the subrecipient, the GCA shall work with the PI and AFC to establish and maintain administrative monitoring procedures to enforce contractual requirements.

**Examples of Risk Mitigation Options**

In instances where subrecipients have defined a Corrective Action Plan, it should be reviewed to determine whether the corrective action will sufficiently mitigate risk. If so, the risk level can be considered “low” or “medium” and a review of the next annual A-133 Single Audit Report will be done to determine if findings have been corrected. If the finding have not been corrected, additional language may be added to the Subaward to reduce risk to UNH. Risk must be identified on a case by case basis. Additional language to be incorporated into the subaward agreement special terms and conditions section may be as follows:

**If due to technical-related risks:**
- Specified frequency for technical reports, e.g., monthly or quarterly instead of standard “as may be necessary to meet” prime agency reporting requirements; and/or
- Extra contact between the PI and subrecipient’s PI, including periodic site visits; and/or
- Tie receipt of technical reports to payments; and/or
- Withholding authority to proceed to the next phase of scope of work until receipt of evidence of acceptable performance of current phase of scope of work; and/or
- Requiring the subrecipient to obtain technical or management assistance; and/or
- Establish additional prior approval requirements; and
- If related party, technical reports require approval by a designated unrelated party.

**If due to financial-related risks:**
- Specify minimum frequency for invoicing, e.g., monthly
- Require claimed cost amounts be supported by general ledger report transaction line item detail; and/or
- Require expenditure source documentation for specified types of costs. Examples could include: (1) expenditure support for travel costs; (2) information on salary amounts by individual per invoice period; or (3) information on equipment purchases, such as vendor, amount and name of equipment; and/or
- Establish additional prior approval requirements.

For subcontracts with “high” risk subrecipients:

**If due to technical-related risks:**
- Same as above, plus
- Add more stringent termination or stop-work language for failure to comply with requirements;
- Review for cancellation.

**If due to financial-related risks:**
- Change from cost-reimbursement invoices to fixed price milestone/deliverable invoicing upon completion of specified tasks;
- May not rebudget without prior approval from the University;
• If related party, invoices require approval by Sponsored Programs Administration Subrecipient Agreement Coordinator prior to processing for payment.
• If subrecipient is business/industry and conflicts of interest exist, all invoices including backup documentation must be reviewed and approved by Sponsored Programs Administration Subrecipient Agreement Coordinator prior to processing for payment.

**Threshold Considerations: UNH will not enter into a subaward if:**
• The subrecipient is debarred or suspended;
• The PI has an unresolved financial conflict of interest with the subrecipient; or
• The subrecipient does not have adequate systems to account for award funds in accordance with federal requirements.

**Post-Award Procedures**

When it is determined that satisfactory work has been completed, invoices shall be paid, with the exception of the final invoice which is addressed in the **Closing Procedures**, below.

**When reviewing an invoice:**
• Make certain the invoices provide the details specified in the Subaward Agreement;
• Question costs that differ materially from the approved line-item budget or which appear unusual or unallowable;
• Ask whether the Invoiced amounts match up with technical progress;
• Document the PI review of the invoice to the budget, e.g., PI initials or authorizing signature on invoices, email communications, or notes of meeting with BSC personnel; and
• Withhold payment until questioned costs are satisfactorily explained.

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**SPA is responsible for the following post-award responsibilities:**

• Annual review of the subrecipient’s risk profile;
• Annual review of the subrecipient’s single audit documentation;
• Ongoing restricted party screening; and
• Auditing of a selected sample of subrecipient invoices, particularly those submitted by high risk subrecipients. These audits may involve requests for copies of the following documents: payroll records, records of consultant services, copies of paid invoices for items purchased, and charges related to travel.

Uniform Guidance requires that payments to subrecipients must be made within **30 calendar days** after the invoice is received, unless the request is improper.

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**The PI is responsible for the following post-award responsibilities:**

• Monitoring the subrecipient’s progress, including the receipt and review of technical performance reports (or other deliverables) and the review of expenses vs. budget;
• Ensuring the subrecipient’s compliance with the Subaward Agreement terms;
• Along with their BSC, reviewing the subrecipient’s invoices for cost allowability, reasonableness, and appropriateness;
• Ensuring that committed cost-share has been provided; and
• Approving and certifying only correct and appropriate invoices.
Closing Procedures

All final invoices shall be sent to SPA’s Subrecipient Agreement Coordinator for approval prior to payment being issued, as described in the Subrecipient Agreement Process. The Subrecipient Agreement Coordinator will verify that the PI has received all the required deliverables and that there are no outstanding issues with the Subrecipient. Final invoice approval is detailed in the Sponsored Programs Final Invoice Approval Process and provides further analysis that all charges abide by the Subaward Terms and Conditions, as well as UNH’s invoice requirements.