1. Purpose

To provide guidance regarding the University’s monitoring and stewardship obligations as the primary recipient when accepting sponsored funding and assigning responsibility for conducting a portion of the work to another entity through a subaward agreement. Office of Management and Budget (OMB) Uniform Guidance contains the federal regulations regarding these obligations, and this manual describes the University’s policies and procedures established to comply with those regulations.

2. Covered Parties

These policies and procedures apply to all subawards issued under sponsored awards made to Boston University (BU). They are intended for use by Principal Investigators, Department Administrators, Sponsored Programs (OSP) and Post Award Financial Operations (PAFO) to define their respective roles and responsibilities for subrecipient monitoring. This policy does not apply to consulting agreements or other forms of vendor procurement.

3. Definitions

Pass-through entity *Uniform Guidance* §200.74
Pass-through entity means a non-Federal entity that provides a subaward to a subrecipient to carry out part of a Federal program.

Subrecipient *Uniform Guidance* §200.93
Subrecipient means a non-Federal entity that receives a subaward from a pass-through entity to carry out part of a Federal program; but does not include an individual that is a beneficiary of such program. A subrecipient may also be a recipient of other Federal awards directly from a Federal awarding agency.

Subaward *Uniform Guidance* §200.92
Subaward means an award provided by a pass-through entity to a subrecipient for the subrecipient to carry out part of a Federal award received by the pass-through entity. It does not include payments to a contractor or payments to an individual that is a beneficiary of a Federal program. A subaward may be provided through any form of legal agreement, including an agreement that the pass-through entity considers a contract.
Subrecipient Monitoring
Subrecipient monitoring includes activities undertaken to review the financial status and management controls of a subrecipient to mitigate the risk of entering into an agreement with a subrecipient organization.

Note: For the purposes of this policy, where reference is made to "research" awards, it is defined as all awards (i.e., clinical trials, training grants, etc.) where a subaward is issued. Similarly, where reference is made to "subaward," it may refer to a subrecipient agreement, subcontract, or consortium agreement, dependent upon the nature of the prime award.

4. Policy Statement

It is the policy of Boston University to administer subawards consistent with the requirements of the OMB Uniform Guidance, and in accordance with the requirements of the institution, the applicable sponsor regulations, and the terms and conditions of the prime award. As the prime sponsored award recipient (the Pass-through entity), the University is responsible for ensuring that performance goals are achieved and the scope of work is met while sponsor funds are managed appropriately. The goal of the procedures described below is to ensure that the subaward satisfies institutional and governmental reviews as well as governmental audits while providing adequate stewardship of the research enterprise at BU.

5. Subrecipient Administration and Monitoring Procedures

I. BACKGROUND

Concept of Substantive Work. Sponsored research awards made to BU are generally conducted within the physical boundaries of the institution. On occasion, substantive programmatic work is carried out by one or several institution(s) that are made responsible for a portion of a project awarded to BU. The concept of substantive work conducted by a third party is defined as follows:

Project activities with a primary purpose of the research program which, for whatever reason, are not conducted at the University. These activities constitute a significant portion of the research program and require the leadership and direction of a responsible investigator located at the work site of the cooperating entity.

Substantive work usually encompasses any one or more of the following: personnel costs, supplies, equipment, travel, and Facilities & Administrative (F&A) costs needed by a third party (i.e., industry, hospital, university) who is performing a portion of a research program under an award made to BU.
**Distinction Between a Subrecipient and a Contractor.** OMB Uniform Guidance also makes a distinction between a subrecipient (substantive work) and a contractor:

- **A subrecipient** is defined as “a non-Federal entity that receives a subaward from a pass-through entity to carry out part of a Federal program; but does not include an individual that is a beneficiary of such program. A subrecipient may also be a recipient of other Federal awards directly from a Federal awarding agency.”

- **A Contractor** is defined as "an entity that receives a contract,” which is defined as “a legal instrument by which a non-Federal entity purchases property or services needed to carry out the project or program under a Federal award. The term as used in this Part does not include a legal instrument, even if the non-Federal entity considers it a contract, when the substance of the transaction meets the definition of a Federal award or subaward”

BU, as the pass-through entity, must make a case-by-case determination whether each agreement it makes for the disbursement of Federal funds casts the party receiving the funds in the role of a subrecipient or a contractor.

According to OMB Uniform Guidance, characteristics which support the classification of the non-Federal entity as a subrecipient include, when the non-Federal entity:

- Determines who is eligible to receive what Federal assistance;
- Has its performance measured in relation to whether objectives of a Federal program were met;
- Has responsibility for programmatic decision making;
- Is responsible for adherence to applicable Federal program requirements specified in the Federal award; and
- In accordance with its agreement, uses the Federal funds to carry out a program for a public purpose specified in authorizing statute, as opposed to providing goods or services for the benefit of the pass-through entity.

Characteristics indicative of a procurement relationship between the non-Federal entity and a contractor are when the non-Federal entity receiving the Federal funds:

- Provides the goods and services within normal business operations;
- 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 the Federal program; and
II. Risk

The evaluative procedures for determining whether a proposed subrecipient or contractor is non-Federal entity is cast as a subrecipient or a contractor, and the Uniform Guidance states that judgment should be used in each case.

Not all of the characteristics need to be or will be present to determine whether another non-Federal entity is cast as a subrecipient or a contractor, and the Uniform Guidance states that judgment should be used in each case.

While an external entity may be classified as a contractor, it is still subject to compliance rules and regulations, including those that govern the usage of human or animal subjects and select agents. For more information on BU relationships with contractors, please refer to BU Sourcing and Procurement Policies.

II. Subrecipient Selection and Review

Preparing Proposals with Outgoing Subawards. A BU investigator who plans to include another institution to undertake responsibility for a substantive portion of the programmatic effort described in a proposal must provide a number of documents from the proposed subrecipient institution well in advance of proposal submission. At a minimum, these documents include:

- Evidence of commitment to participate in the project and abide by all the associated terms and conditions;
- Statement of work, including identification of the use of human subjects and/or animals;
- Detailed budget and budget justification.

The PI should select a subrecipient based on his/her assessment of the subrecipient’s ability to perform the work successfully. This should include an analysis of the subrecipient’s past performance and technical capability as well as an assessment of the proposed costs for the work to be done.

Risk Assessment. OSP is responsible for conducting subrecipient risk assessments on behalf of the University. OSP will issue to proposed subrecipients with whom the University has no other active awards the “Subrecipient Prequalifying Questionnaire.” Existing subrecipients will have previously responded to PAFO’s Annual Subrecipient Certification Questionnaire and provided the necessary evaluative information (see Section IV).

The Subrecipient Prequalifying Questionnaire requests a variety of information regarding the financial status of the proposed subrecipient entity. In general, the timing of this assessment will normally occur when the prime award appears to be imminent, such as during NIH’s “Just-In-Time” (JIT) period, or at the point of award. However, OSP may at its discretion issue the questionnaire at the time of proposal submission if there is a risk to timely subaward issuance.
Once the questionnaire is returned, OSP will complete the “Subrecipient Risk Analysis Form.” If the risk analysis results in a high level of financial risk, OSP will consult with Post Award Financial Operations (PAFO). As necessary, PAFO and OSP will consult with the University Comptroller and/or the Office of General Counsel. PAFO and OSP will develop a proposed risk mitigation strategy that may include special terms and conditions in the subaward agreement or other forms of more robust monitoring procedures in accordance with the OMB Uniform Guidance. In rare instances, BU may determine that the risk of entering into a subaward with the proposed entity is excessive and not move forward with executing the agreement.

### III. Negotiating and Executing Subrecipient Agreements

**Subrecipient Compliance and Assurance.** As the prime recipient of an award which includes one or more outgoing subawards to other entities, the University has the responsibility for ensuring that all research under the prime award is conducted and administered in compliance with sponsor requirements and University policies. The subrecipient organization must certify that it will comply with all appropriate representations, approvals, assurances, and certifications related to the research project -- including human subjects, animals, export controls, and financial conflict of interest -- before the subaward can be fully executed.

**Federal Demonstration Partnership (FDP) Template.** The University is an active FDP participant and as such employs the [Standard FDP subaward template](#) when issuing subawards as applicable.

**Standard Terms in a Subaward.** A subaward will generally include terms and conditions that address the following as appropriate (Note: This list is not all inclusive. The terms and conditions will be dictated by the prime award and/or risk level of the subrecipient):

- Implementation of any appropriate and necessary risk mitigation strategies;
- Mandatory flow-down provisions from the prime award;
- Non-financial reporting requirements;
- Financial terms and conditions including: cost reimbursement, billing requirements, and payment terms;
- Ownership of intellectual property and data;
- Certification of invoices that costs conform to conditions of allowability and support the performance of work.

Subawards issued under a federal prime award will include the following information as required by [OMB Uniform Guidance](#):
(1) Federal Award Identification.
   - Subrecipient name;
   - Subrecipient’s DUNS number;
   - Federal Award Identification Number (FAIN);
   - Federal Award Date;
   - Subaward Period of Performance Start and End Date;
   - Amount of Federal Funds Obligated by this action;
   - Total Amount of Federal Funds Obligated to the subrecipient;
   - Total Amount of the Federal Award;
   - Federal award project description, as required to be responsive to the Federal Funding Accountability and Transparency Act (FFATA);
   - Name of Federal awarding agency, pass-through entity, and contact information for awarding official;
   - CFDA Number and Name; the pass-through entity must identify the dollar amount made available under each Federal award and the CFDA number at time of disbursement;
   - Identification of whether the award is R&D; and
   - Indirect cost rate for the Federal award.

(2) All requirements imposed by the pass-through entity on the subrecipient so that the Federal award is used in accordance with Federal statutes, regulations and the terms and conditions of the Federal award.

(3) Any additional requirements that the pass-through entity imposes on the subrecipient in order for the pass-through entity to meet its own responsibility to the Federal awarding agency including identification of any required financial and performance reports;

(4) An approved federally recognized indirect cost rate negotiated between the subrecipient and the Federal government or, if no such rate exists, either a rate negotiated between the pass-through entity and the subrecipient or a de minimis indirect cost rate (presently 10% of modified total direct costs).

(5) A requirement that the subrecipient permit the pass-through entity and auditors to have access to the subrecipient’s records and financial statements as necessary; and

(6) Appropriate terms and conditions concerning closeout of the subaward.
IV. Post-Award Subrecipient Monitoring

As a Pass-through entity, BU must monitor the subrecipient to ensure that the subaward is used for authorized purposes, is in compliance with Federal statutes and regulations, and achieves performance goals. In accordance with OMB Uniform Guidance, BU’s subrecipient monitoring activities must include:

- Reviewing financial and programmatic reports as required by the Subaward;
- Following-up and ensuring that the subrecipient takes timely and appropriate action on all deficiencies pertaining to the Federal award detected through audits, on-site reviews, and other means;
- Issuing a management decision for audit findings pertaining to the Federal award as required;
- Verifying that every subrecipient is audited as required by OMB Uniform Guidance (See Exhibit A);
- Considering whether the results of the subrecipient’s audits, on-site reviews, or other monitoring indicate conditions that necessitate adjustments to the pass-through entity’s own records; and
- Considering taking enforcement action against noncompliant subrecipients.

BU must also evaluate each subrecipient’s risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward. Such factors to consider in making the evaluation may include:

- The subrecipient’s prior experience with the same or similar subawards;
- The results of previous audits including whether or not the subrecipient receives a Single Audit;
- Whether the subrecipient has new personnel or new or substantially changed systems; and
- The extent and results of Federal awarding agency monitoring.

Depending upon the assessment of risk posed by the subrecipient, the following monitoring tools may be useful to ensure proper accountability and compliance with program requirements and achievement of performance goals.

- Providing subrecipients with training and technical assistance on program-related matters;
- Performing on-site reviews of the subrecipient’s program operations; and
- Arranging for agreed-upon-procedures engagements.

If any material issues are discovered in the activities described above, PAFO will review to determine if further monitoring techniques or corrective action plans will be needed. In these instances, PAFO will collaborate with OSP to implement corrective actions and increase the level and/or frequency of monitoring procedures for the respective subrecipient.
V. Closeout of Subrecipient Agreements

**Early Termination.** Early termination of a subrecipient agreement may occur for a number of reasons, all of which may be problematic. Reasons for early termination include, but are not limited to:

1. Failure of the subrecipient to perform,
2. Relocation or illness of the subrecipient’s principal investigator, or
3. Termination by the project’s sponsor.

The subrecipient agreement must authorize early termination and specify the conditions. With regard to failure to perform, the BU’s principal investigator and/or OSP should maintain and retain documentation supporting the lack of progress by the subrecipient (for example, by not approving invoices because of inadequate progress) and recorded communications with and efforts to correct the situation.

If the sponsor terminates the project, BU has the responsibility to represent the subrecipient’s interests towards a fair and orderly closeout and settlement. The subagreement provisions should allow for payment of all non-cancelable costs, if applicable, prior to the date of termination, if this is consistent with the prime award. In early termination, the sponsor usually still requires the submission of all reports. Therefore, closeout procedures will be very similar, if not identical, to the procedures followed if the project had continued to the projected termination date.

**Subaward Closeout.** Before a final invoice can be paid, the BU PI must certify that all technical reports and/or deliverables have been received and that the subrecipient has fulfilled its obligations. Final verification of technical completion by the subrecipient is indicated by the PI’s signature and date on the final invoice. In addition, final close out documents [residual property; inventions and discoveries (including a negative report); subrecipient’s release forms (where applicable), final risk assessment review; final audits (desk, assist when necessary)] are required.

All subrecipient files must be retained for a minimum of 3 years after submission of final expenditure to prime sponsor.
6. Responsible Offices

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<thead>
<tr>
<th>Subject</th>
<th>Contact</th>
<th>Phone</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Prequalifying / Risk Assessment</td>
<td>Sponsored Programs</td>
<td>Charles River Campus: 617-353-4365</td>
</tr>
<tr>
<td>• Proposal Development</td>
<td></td>
<td>Medical Campus: 617-638-4600</td>
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<tr>
<td>• Award Execution</td>
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<tr>
<td>• Risk Assessment</td>
<td>Post Award Financial</td>
<td>617-353-4555</td>
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<td>• Annual Financial Monitoring</td>
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<td>• Subaward Invoice Review and Approval</td>
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7. Related Policies and References

- OMB Uniform Guidance
- Standard FDP subaward template
- BU Sourcing & Procurement Policies

8. History

This policy was adopted November 2010; updated December 26, 2014.
EXHIBIT A

Post Award Financial Operations
Subrecipient Monitoring Process
Effective: FY2012

**Annual Subrecipient Monitoring Process.** In accordance with OMB Uniform Guidance, on an annual basis PAFO will conduct the Subrecipient Monitoring Process for all entities with expenses charged in the given fiscal year. This Process assists PAFO in evaluating subrecipients’ financial stability, processes, and internal controls.

PAFO will review the Federal Audit Clearinghouse (Harvester) for each subrecipient entity and, if necessary, request a copy of the most recent audit report for the subrecipient entity and review any findings. PAFO will confirm that the subrecipient has taken appropriate and timely corrective action. If
Policies and Procedures for the Administration and Monitoring of Subrecipient Agreements Issued to Third Parties

Responsible Offices: Sponsored Programs
Post Award Financial Operations

the findings are related to BU awards, PAFO may also consider whether they necessitate adjustments of BU financial records.

For those subrecipient organizations that are not subject to the Uniform Guidance audit, PAFO will issue the “Subrecipient Certification Questionnaire” and request copies of relevant external audits and review any findings. PAFO will confirm that the subrecipient has taken appropriate and timely corrective action on such findings. If the findings are related to BU awards, PAFO may also consider whether they necessitate adjustments of BU records.

A. BU obtains master list of subrecipients and EIN number for fiscal year 20xx
B. Using EIN, BU checks Harvester to see if fiscal year 20xx Audit Report is available
C. If Audit Report is available:
   o No Findings: BU waives further review
   o Findings:
     ▪ What type of finding?
       o If non research related (i.e. financial aid, not getting a CFDA# from subcontract): BU waives further review
       o If research related (i.e. cost transfers, effort, sub K costs, systems, billing, FFR accuracy) and:
         ▪ Subcontract has current fiscal year expenditures < $25K, BU waives further review
         ▪ Subcontract has current fiscal year expenditures > $25K, BU sends letter asking for further details and to confirm findings are not related to BU.
         ▪ If finding relates to BU, BU sends letter regardless of amount of current fiscal year expenditures.

D. If Uniform Guidance is not available via Harvester:
   o BU sends letter and questionnaire.
E. Subcontractors who don't respond to letter or questionnaire:
   o Letter will be sent to PI with a cc to OSP and Vendor informing them that subcontract X has not responded and that no future invoices will be paid until subcontract becomes compliant.
Policies and Procedures for the Administration and Monitoring of Subrecipient Agreements Issued to Third Parties

Responsible Offices: Sponsored Programs
Post Award Financial Operations

Post Award Financial Operations
Subrecipient Monitoring Process
Effective: FY2012

Diagram:

IN HARVESTER

FINDINGS

NOT IN HARVESTER –
SEND LETTER (LETTER C)
and Questionnaire*

* if no response to letter or questionnaire: SEND LETTER to PI (cc OSP & Vendor)
informing them that entity has not responded and no future invoices will be paid until subcontract becomes compliant

Research related
(CT, effort, subK, systems,
billing, FFR accuracy)

Non research related
(SFA, CFDA#) - WAIVE further review

NO FINDINGS:
WAIVE Further Review

SubK has current FY
exp ≤ $25K - WAIVE
further review

SubK has current FY exp ≥ $25K - SEND LETTER (LETTER A) for further details & to confirm findings are unrelated to BU

If finding relates to BU, SEND LETTER (LETTER B) regardless of amount of current FY exp

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