

**HARVARD PILGRIM HEALTH CARE, INC.  
OFFICE OF SPONSORED PROGRAMS, LLC**

**POLICY & PROCEDURE  
SUBRECIPIENT MONITORING**

This policy applies to all Harvard Pilgrim Health Care, Inc. (HPHC) and Harvard Pilgrim Care Institute LLC (HPHCI), (collectively HPHC/I) personnel who are engaged in instruction, education and research.

**Purpose**

Harvard Pilgrim Health Care (HPHC) is responsible for the programmatic and financial monitoring of its sponsored research award subrecipients. A subrecipient is a third-party organization performing a portion of HPHC research projects or other sponsored programs. The terms of HPHC-subrecipient relationships are documented in sub-grant / subcontract / consortium agreements.

These guidelines and procedures are provided to assist responsible faculty and staff in ensuring that subrecipients conduct their portions of research projects in compliance with laws, regulations and terms and conditions of awards and subawards and that project costs incurred by subrecipients are reasonable and allowable.

**Definitions**

Audit means an official examination and verification of accounts and records, especially of financial accounts.

Contract means 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 (see 200.22)

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. (Subaward/contract) (see §200.92 Subaward).

Subrecipient means a non-Federal entity that has responsibility for programmatic decision-making and receives a subaward from a pass-through entity to carry out part of the Federal program.

Vendor means a dealer, distributor, merchant, or other seller providing goods or services that are required for the conduct of a federal program. **Contractor** is used rather than “vendor”. (see §200.330.b Subrecipient and Contractor Determination

*UG* means Uniform Guidance.

## **Policy**

It is the policy of HPHC to administer subrecipient agreements consistent with the requirements of UG §200.331 and in accordance with the requirements of the Institution, the applicable sponsor regulations, and the terms and conditions of the prime award.

## **Roles and Responsibilities:**

1. Principal Investigators (PIs) have primary responsibility for monitoring subrecipients to ensure that they complete their work as specified in the Statement of Work (SOW) and they are compliant with federal regulations and award terms and conditions.
2. The Office of Sponsored Programs (OSP) has responsibility for ensuring that HPHC’s subrecipient monitoring procedures are compliant with federal and other applicable regulations and are consistent with sound business practices. OSP will provide further training, monitoring and guidance in interpreting applicable regulations and subrecipient award terms and conditions, and in interpreting and executing these guidelines.

## **Federal Regulations**

UG §200.331 requires the pass-through entity (prime) to ensure that every subaward is clearly identified to the subrecipient as a subaward and includes information at the time of the subaward and if any of these data elements change, include the changes in subsequent subaward modification. When some of this information is not available, the pass-through entity must provide the best information available to describe the Federal award and subaward.

The federal regulations that describe subrecipient monitoring are specific and contain, but are not limited to, the following core elements of compliance:

- Evaluation of the subrecipient's **risk of noncompliance** with Federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining the appropriate subrecipient monitoring procedure
- Advising subrecipients of all applicable federal laws and regulations, and all appropriate flow-down provisions from the prime agreement
- The routine receipt and review of **Technical Performance Reports/deliverables**
- The routine **Review of Expenses-to-Budget**
- The periodic performance of **On-site Visits**, or regular contact, if necessary
- The option to perform "**audits**" if necessary
- Review of A-133 audit reports filed by subrecipients of federal funds and any audit findings
- Review of **corrective actions** cited by subrecipients in response to their audit findings
- Consideration of sanctions on subrecipients in cases of continued inability or unwillingness to have required audits or to correct non-compliant actions

The above list is not exhaustive of all compliance requirements. In addition to the general elements of compliance noted above, there may be additional sponsor- or program-specific requirements that mandate collecting and documenting other assurances (e.g. on lab animals, human subjects, biohazards, etc.) during the course of a project.

## Subrecipient Monitoring Procedures

### OSP-level Subrecipient Monitoring Procedures

Prior to the initial award of a subcontract and on an annual basis, OSP will review all potential and active subcontracts. Consideration will be given to:

- Award complexity, sensitivity of the work and/or extensiveness of the governing regulations
- Prior experience with the subrecipient, e.g. a new subrecipient, an inexperienced subrecipient, a history of non-compliance, having new personnel, or having new or substantially changed systems
- Subrecipient location or for-profit status
- Degree of external oversight by auditors or sponsoring agencies. Note that HPHC is committed to monitoring subrecipients of its awards, regardless of the subrecipients being subject to A-133 audits or the source of funding
- Sophistication of the subrecipient's systems and administrative operations
- Current Federally negotiated F&A rate

In addition to routine monitoring procedures, if the subrecipient is new to HPHC, determined to be high-risk by OSP, foreign or for-profit institution, administrators at such sites may be asked to complete questionnaires (to be filed at HPHC) documenting their internal controls and grants management procedures. Subrecipients that are not subject to A-133 may be asked to submit supporting documentation in the form of original receipts, copies of payroll records, financial reports, audits, etc. if circumstances warrant.

- **Audits** – financial audits of subrecipients are an acceptable monitoring procedure under federal regulations, and all of the HPHCs cost-reimbursement subrecipient agreements contain "right-to-audit" clauses. Financial audits are generally performed by OSP/HPHC, however, there may be instances in which the PI/project manager would perform this audit.
- **Review A-133 audit reports on-line** – OSP shall review A-133 reports filed by subrecipients that expend \$750,000 or more of federal funds

during the fiscal year and are subject to A-133. Staff may view the subrecipient's A-133 report in the Federal Audit Clearinghouse (FAC) database (<http://harvester.census.gov/sac>). This web site provides evidence to verify that the subrecipient has completed an A-133 audit and to assess the presence of audit findings. If a subrecipient writes back to say that they are not subject to A-133 because they have less than \$750,000 in federal awards, OSP will verify that we do not have subs with that institution that meet or exceed \$750,000 in aggregate.

- In cases of continued inability or unwillingness of a subrecipient to have the required audits, OSP may consider taking appropriate sanctions.
- **When subrecipients have A-133 audit findings** – OSP may consider issuing a management decision on audit findings, when appropriate, and evaluate subrecipient corrective actions cited in response to audit findings. Corrective actions cited by the subrecipient should be verified to ensure subrecipient compliance and may necessitate on-site monitoring.
- **Subrecipients not subject to A-133, including foreign and for-profit entities** – Because A-133 does not apply to foreign or for-profit subrecipients, HPHC will establish its own requirements, as necessary, on an ad hoc basis, to ensure compliance by such subrecipients. OSP shall use subrecipient monitoring techniques similar to those used for entities that are subject to A-133.

### OSP Review of Invoices

- **Review of Invoices** is done for cost-reimbursement subagreements. The subrecipient's invoices showing both current period and cumulative expenses-to-budget are generally required. The review will include **Verification that requested expenses** fall within the project dates, do not total more than the approved budget and that the total amounts are correct.

### Principal Investigator-level Subrecipient Monitoring Procedures

- **Review of Technical Performance Reports/deliverables** should be done on a timely basis by the PIs/project managers. Any unusual or unforeseen items should be investigated and documentation thereof should be

retained in the PI's files for ready access by regulators. In some cases, subaward terms may require specified deliverables in addition to, or in lieu of, technical reports.

- **Review of invoices** should include a comparison of the subrecipient invoices to the established subaward budgets. **Evidence of the regular review** of invoices by both the PIs/project managers should be in place and retained on file. "Evidence" can be in the form of PIs/project managers' initials or authorizing signature on invoices, e-mail communications, etc.
  
- **Clarification of Invoiced Charges** should be requested by PIs/project managers for explanations of any unusual, miscellaneous, apparently excessive or other charges invoiced by the subrecipient. If the explanations are not sufficient to render a prudent judgment on the allowability of the cost, and the terms of the subcontract permit, PIs/project managers may request detailed justifications from subrecipients. PIs/project managers may also periodically request, if the terms of the subcontract permit, particularly from high-risk subrecipients detailed support for selected invoiced charges to verify their appropriateness and reasonableness. Examples of detailed justifications that may be requested from subrecipients include:
  - Payroll records/data
  - Copies of paid invoices showing the cost of items purchased and Vendor Justification Forms if required by Federal contract
  - Descriptions of services rendered by consultants including hourly rates and time reports
  - Details of incurred travel charges, stating the purpose, airfare, meals, ground transportation, unallowable costs, etc.
  - Costs determined to be unallowable or unreasonable should be disallowed
  - In circumstances where questionable costs remain unresolved, particularly when subcontract terms do not permit requesting supporting documentation, it may become necessary to conduct a definitive audit of all or a portion of questionable costs. (See **Audits** below) In these cases, PIs/project managers may contact the Office for Sponsored Programs for coordination of subsequent actions.
  
- **On-site Visits** are a discretionary monitoring procedure. On-site visits conducted by the PIs/project managers to evaluate both compliance with

the scientific objectives of the project and the appropriateness of the subrecipient's administrative systems, processes, and charges should be documented via correspondence, meeting notes, trip reports, etc. and retained on file with OSP.

### **Subrecipient contract language advice**

All subcontracts under federal government prime contracts and grants should contain language, substantially as set forth below, requiring subcontractors to report promptly to HPHC any problem related to HPHC subcontracts identified in their annual A-133 audits and to submit corrective action plans.

### **Audit**

All costs incurred in the performance of the research effort will be subject to audit by the cognizant Federal audit agency. Cooperating Institution agrees to allow the auditors access to records necessary to support the reported costs during mutually agreeable normal business hours.

Cooperating institution agrees to comply with the requirements of OMB Circular A- 133 as applicable. Cooperating Institution agrees to provide HPHC with copies of the independent auditor's report, if any, that present instances of non-compliance with federal laws and regulations that bear directly on the performance or administration of this Agreement. In cases of such non-compliance, Cooperating Institution shall provide HPHC copies of responses to auditors' reports and the plan(s) for corrective action. All records and reports prepared in accordance with the requirements of OMB Circular A-133, as applicable, shall be available for inspection by HPHC during mutually agreeable normal business hours.

### **Resources**

Policy & Procedure Export Control and Restricted Party Screening in Procurement and Payment

Policy & Procedure Grant Related Procurement