Session Presenters

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Learning Objectives

• Understand the requirements, tools, and methodologies associated with subrecipient management
• Understand what is necessary to remain in compliance with Federal and University requirements during the subaward process
• Develop ways to increase efficiencies and streamline work with subrecipients

Make it all work!
What is a Subrecipient?

Definitions

- **Subrecipient** is an organization to which we “pass-through” prime sponsor funds for collaboration on a research project.
- **Subagreement** is a legally binding document between UNC-CH and a subrecipient organization.
  - Prime terms and conditions are also passed through to the subrecipient organization (the rules follow the money).
- **Subaward** is a subagreement issued under an award or grant.
- **Subcontract** is a subagreement issued under a contract.

OSR Policy 300.8

http://research.unc.edu/sponsored-research/policies-procedures/section-300/policy-8/

OSR Policy 500.11

http://research.unc.edu/sponsored-research/policies-procedures/section-500/policy-11/

Subrecipient vs. Contractor (2 CFR §200.330)

https://www.ecfr.gov/cgi-bin/text-idx?SID=ef75c9e3950ac43faa101ff38494634a&mc=true&node=se2.1.200_1330&rgn=div8
UNC has revamped its subaward process to accommodate the increased importance of subrecipient management.

Original Process:

New Process:
New UNC Subaward Process

Proposal Stage:
- Letter of Intent
- Scope of Work
- Budget & Justification

Award Stage:
- Revised SOW
- Revised Budget

Risk Assessment:
- Subrecipient Commitment Form
- Post-Audit Team Review
- Subaward Team Review

Monitoring Plan:
- Analysis of Risk
  - Plan incorporated into agreement (if necessary)

Draft and Execute:
- Annual Audit Review
- Desk Reviews
- Monitoring

OSR
- Sponsored Projects Specialist (SPS)

OSR
- Subaward Team Audit and Subrecipient Monitoring Team
Overview of Subaward Process

Proposal Stage – Required Documents

All submissions with Subrecipients must include:

• Letter of Intent signed by the Subrecipient’s Authorized Official
  – Example provided in Ramses Proposal Module and OSR Policy 300.8
• Subrecipient Scope of Work
• Subrecipient Budget
• Subrecipient Budget Justification
Overview of Subaward Process

Awards Stage - Reminder

Differences between the proposal and the award may require alterations to the Subrecipient’s information.

– Revised Subrecipient Scope of Work
– Revised Subrecipient Budget
– Revised Subrecipient Budget Justification
## Overview of Subaward Process
### Award Stage – Required Documents

**MATRIX: Required Documents for Outgoing Subaward Requests**

<table>
<thead>
<tr>
<th>Transaction Type</th>
<th>Detailed Budget</th>
<th>Scope of Work</th>
<th>Prime Award</th>
<th>Sponsor Prior Approval</th>
<th>LOI / Facepage</th>
<th>Internal/UNC PI Approval</th>
</tr>
</thead>
<tbody>
<tr>
<td>No-Cost Extension</td>
<td></td>
<td></td>
<td>(x)</td>
<td>(x)</td>
<td></td>
<td>(x)</td>
</tr>
<tr>
<td>Additional Funding</td>
<td>x</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Carryover Only</td>
<td>x</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Carryover and Additional Funds</td>
<td>x</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Change in SOW</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Additional Terms &amp; Conditions</td>
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</tr>
<tr>
<td>Deobligation of Funds without Early Termination</td>
<td></td>
<td>(x)</td>
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</tr>
<tr>
<td>Deobligation of Funds and Early Termination</td>
<td></td>
<td></td>
<td>(x)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Change in Subrecipient PI</td>
<td></td>
<td>(x)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Change in Subrecipient Budget</td>
<td>x</td>
<td></td>
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<tr>
<td>Change in UNC PI</td>
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</tr>
<tr>
<td>Early Termination without Deobligation</td>
<td></td>
<td>(x)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>New Subaward</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>NIH: Change in Account type from G to P</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Break in Period of Performance</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**x** = Requirement for Sub Team to draft issuance.  
**(x)** = Requirement only if action required Sponsor’s prior approval.
Overview of Subaward Process

Initializing a Subagreement

- OSR SPS assigns Outgoing Subaward Request to the OSR Subaward Team

- Potential delays in Subagreement issuance:
  - Obtaining documents from Subrecipient
    - Subrecipient Commitment Form
    - FDP Attachment 3B (Subrecipient Contacts)
    - Confirmed SOW and Budget
    - Subrecipient Rate Agreement
    - Subrecipient Audit Report
  - Completing Risk Assessment
  - Conflict of Interest requirements
  - Delay by subrecipient in partially executing subagreement
Overview of Subaward Process

Opportunities for Efficiency

• Ensure the subrecipient is listed in the ConnectCarolina Vendor Table

• Open lines of Communication
  – Build a partnership with your OSR Sponsored Projects Specialist and members of the OSR Subaward Team
  – Confirm appropriate contacts in the UNC Department and at the subrecipient institution
Risk Assessment and Monitoring

*Process Changes Needed*

- Federal regulations now require a formal risk assessment of each subagreement
  - Monitoring processes are used to mitigate any identified risks
- Strong need to streamline efforts to reduce administrative burden and delays in subagreement execution
Risk Assessment and Monitoring

Uniform Guidance Requirements

2 CFR §200.331 Requirements for Pass-Through Entities.

All pass-through entities must:

a) Ensure that every subaward is clearly identified to the subrecipient as a subaward...

b) Evaluate each subrecipient’s risk of noncompliance...

c) Consider imposing specific subaward conditions upon a subrecipient if appropriate...

d) Monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes...
Risk Assessment and Monitoring

Uniform Guidance Requirements

2 CFR §200.331 Requirements for Pass-Through Entities.

All pass-through entities must:

e) Depending upon the pass-through entity’s assessment of risk posed by the subrecipient...monitoring tools may be useful for the pass-through entity to ensure proper accountability and compliance with program requirements and achievement of performance goals.
Risk Assessment and Monitoring

Uniform Guidance Requirements

2 CFR §200.501 Audit Requirements.

For-profit subrecipient.

h) ...the pass-through entity is responsible for establishing requirements, as necessary, to ensure compliance by for-profit subrecipients. The agreement with the for-profit subrecipient must describe applicable compliance requirements and the for-profit subrecipient’s compliance responsibility. Methods to ensure compliance for Federal awards made to for-profit subrecipients may included pre-award audits, monitoring during the agreement, and post-award audits.
We have identified the rules, now how do we remain compliant?
Risk Assessment and Monitoring

*UNC Response to Uniform Guidance*

- Identification of additional roles and responsibilities for OSR
- Development and implementation of risk assessment procedures
- Creation of monitoring plan process based on risk assessment
- Creation of OSR Subaward Team and OSR Audit and Subrecipient Monitoring Team
Tools You Can Use

- Define the need
- Identify the resource
- Collect and document the information
New UNC Subaward Process

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OSR
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Annual Audit Review
Desk Reviews
Monitoring
UNC Subaward Process

UNC Response to Uniform Guidance

Subrecipient Commitment Form

Risk Assessment

Monitoring Plan

Subaward Agreement

OSR Assessment
Risk Assessment

What is identified as risk?

• Attributes that can be applied universally across all subagreements
• Include risk attributes identified in Uniform Guidance requirements
  – Subrecipient’s prior experience with similar awards
  – Results of previous audits (including Single Audits)
  – Whether the subrecipient has new personnel and/or new systems
  – Extent and result of Federal agency monitoring
Risk Assessment

What is identified as risk?

• Incorporated UNC General Administration Key Performance Indicators on subrecipient risk:
  – Subrecipient is a foreign entity
  – Subrecipient had audit finding(s) the previous year
  – Subrecipient is not subject to annual Single Audit
  – Percentage of prime award through to subrecipient
Risk Assessment

Original Risk Attributes

- Original model contained eight (!) risk attributes
- Recognized the need to simplify to incorporate necessary areas

<table>
<thead>
<tr>
<th>Category</th>
<th>Organization of Health Level</th>
<th>Original Risk Attributes Changed</th>
<th>Subsequent Risk Attributes Reduced</th>
<th>New Risk Attributes</th>
<th>Responsible Party</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Original vs. domestic</td>
<td>Still cosmetic (yes only)</td>
<td>Modern</td>
<td>Modern</td>
<td>Subaward team</td>
</tr>
<tr>
<td>2</td>
<td>Amount/Percentage of Awarded Subawards</td>
<td>Project Yes (with budget reductions, supplement)</td>
<td>Subaward is less than 50% of Prime award</td>
<td>Reduces by 50% of prime award</td>
<td>Post-Audit team</td>
</tr>
<tr>
<td>3</td>
<td>Audit Findings</td>
<td>Organization Yes</td>
<td>Yes, or no but not relevant to USC CAF GSR</td>
<td>Relevant audit response and management plan needed to add</td>
<td>Subaward team</td>
</tr>
<tr>
<td>4</td>
<td>Subject to uniform guidance</td>
<td>Organization Yes</td>
<td>Yes</td>
<td>No</td>
<td>Post-Audit</td>
</tr>
<tr>
<td>5</td>
<td>Defer to value of investment</td>
<td>Project Specific Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Post-Audit</td>
</tr>
<tr>
<td>6</td>
<td>History of Resource Allocation</td>
<td>Organization Yes</td>
<td>Previous experience with resource allocation</td>
<td>No previous experience with resource allocation</td>
<td>Subaward team</td>
</tr>
<tr>
<td>7</td>
<td>Subsequent has implemented</td>
<td>Organization Yes</td>
<td>Yes</td>
<td>No</td>
<td>Subaward team</td>
</tr>
<tr>
<td>8</td>
<td>Specialization of Subrecipient</td>
<td>Project Yes (with budget reductions, supplement)</td>
<td>Yes</td>
<td>Yes</td>
<td>Subaward team</td>
</tr>
</tbody>
</table>

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Risk Assessment

Revised Risk Attributes

• Model simplified to four primary attributes:
  – Foreign or Domestic?
  – Single Audit finding(s) or not subject to Single Audit
  – Subaward greater than $1,000,000
  – Subaward is greater than 50% of the prime award

• Selected risk attributes for baseline to ensure compliance
  – Weigh perfect absolute assurance vs. our accepted level of commitment
  – Determine UNC’s risk appetite

• Must determine if a particular risk is applicable to the project
  – Compare risk to the Statement of Work, Budget, etc. to determine if it is high risk for the particular project

• Risk Attributes are both financial and programmatic
  – Must protect sponsor funds on both fronts
Risk Assessment

Foreign Entity

- **OSR Subsequent Review**
  - History of exchange rate
  - Office of Foreign Asset Controls – Sanctions
  - Warnings* issued by Department of State

- **OSR Monitoring Function**
  - Ongoing review of exchange rate
  - Not issue Subaward, if government prohibits working with country
  - Investigate the relationship between warnings and SOW

- **Agreement Language Example**
  - If rate changes more than 10% parties agree to revise budget/scope, if necessary

- **Impact to PI**
  - Only if Subaward Team determines Dept. of State warning could impact SOW will they reach out to the PI for input
  - 28 countries currently have Dept. of State warnings

*Examples of reasons for issuing warning might include unstable government, civil war, ongoing intense crime or violence, or frequent terrorist attacks*
# Risk Assessment

## Single Audit Results or Not Subject to Single Audit

<table>
<thead>
<tr>
<th>OSR Subsequent Review</th>
<th>OSR Monitoring Function</th>
<th>Agreement Language Example</th>
<th>Impact to PI</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Require Audit report</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Review Audit Response and Management Plan</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Does it impact this project?</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Annual Review of Most Recent Audit Report</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Management Letter is written, signed, and sent for each relevant finding</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Actions according to award language added to subaward</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• If finding is effort related, require effort reports with invoices</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• None</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• If OSR Pre-Audit finds invoices do not have supporting docs, the voucher will be returned to Department to collect info from Subrecipient</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
## Risk Assessment

### Subaward Greater than $1,000,000

<table>
<thead>
<tr>
<th><strong>OSR Subsequent Review</strong></th>
<th><strong>OSR Monitoring Function</strong></th>
<th><strong>Agreement Language Example</strong></th>
<th><strong>Impact to PI</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>• Review if transaction will obligate over $1M to subaward</td>
<td>• Increase frequency of desk reviews*</td>
<td>• Additional language is not required</td>
<td>• None</td>
</tr>
</tbody>
</table>

*Periodic review of subrecipient invoices and supporting documentation*
Risk Assessment

Subaward is Greater than 50% of the Prime Award

OSR Subsequent Review
- Review Prime vs. Sub amounts

OSR Monitoring Function
- Monitor expenditure “burn” rate for programmatic impact

Agreement Language Example
- Additional language is not required

Impact to PI
- Initially none but if expenditure burn rates create red flag, PI may be contacted

*Periodic review of subrecipient invoices and supporting documentation
Operationalization

**Implementation Factors**

- How do we implement this new model?
- How do we document our risk assessment and monitoring functions?
- Can we leverage existing resources to realize efficiencies and limit duplication of effort?
- To what extent should our Principal Investigators be involved?
- What mechanism do we need to use to ensure effectiveness of new model?
  - What do we use to track monitoring procedures?
  - How do we keep up with what needs to be monitored and when (based on monitoring functions deemed necessary)?
- How do we make it all work?
Operationalization

*Subrecipient Monitoring Checklist*

- Subrecipient Monitoring Checklist is used by the OSR Subaward Team
  - Provide step-by-step instructions in order to complete the risk assessment process
  - Provide monitoring functions that can be implemented to mitigate identified risks
  - Provides management with a single reference to identify risk and monitoring decisions for each subrecipient project
  - Will be used as an audit trail to document decision making
Subrecipient Monitoring Checklist

**SECTION A - General Information**

<table>
<thead>
<tr>
<th>Subrecipient Legal Name</th>
<th>Subrecipient #:</th>
<th>Completed by:</th>
<th>Date Completed:</th>
</tr>
</thead>
</table>

**Action Type:**  
- [ ] Initial Subagreement  
- [ ] Amendment  
- [ ] Manager Approval

**SECTION B - Risk Assessment**

1. Is the subrecipient a domestic or foreign institution?  
   - [ ] Domestic  
   - [ ] Foreign

   If the subrecipient is Foreign, review the following websites, print results, and attach results to the checklist:
   - Currency Exchange Rate - [http://www.xe.com/currencyconverter](http://www.xe.com/currencyconverter)
   - US Department of State Country Warnings - [https://travel.state.gov/content/passports/en/country-warnings.html](https://travel.state.gov/content/passports/en/country-warnings.html)

   a. Identify Foreign Risk Attributes:
      - Exchange Rate Variations >10%  
      - Country Warnings  
      - US Trade Sanctions

2. Is the subrecipient subject to an audit in accordance with Uniform Guidance (A-133)?  
   - [ ] Yes  
   - [ ] No

   Note: Refer to BBoxFDP (Expanded Closeout Guide) and Subrecipient Audit Log

   a. Monitoring Functions Determined Necessary:  
      - [ ] Yes  
      - [ ] No

   b. Subrecipient Questionnaire contains weaknesses(s) that warrant monitoring

   Notes:

   2. Subrecipient added to next applicable quarter Subrecipient Desk Review (Notify Post-Audit Team)

   Language added to Subaward

Notes:
Challenges

Administrative Burden on Principal Investigators

Challenge:
Management’s concern that new process may place too much burden on Principle Investigators
– Draft process relied heavily on programmatic input from PIs

Solution:
Leverage OSR internal resources (Sponsored Projects Specialists and Subaward Team)
– Modify approach to require PI input only when programmatic knowledge was not available internally to OSR or risk warrants PI input
Stakeholders

Input and Buy-In from Campus

• Worked closely with UNC’s Business Managers Advisory Group
  – Department business managers and Principal Investigators across Campus

• Presented several iterations of the new model
  – First presentation was great example of crash and burn
  – Biggest concern was the amount of PI burden
  – Final approval after OSR confirmed limited PI burden
Implementation

A Work in Progress

• Ongoing communications to Campus
• Continue to streamline process
  – Develop efficiencies in communications, both internally at OSR and between Campus and OSR
  – Develop interactive forms to help subrecipients provide information more efficiently
  – Develop and maintain subrecipient database to manage records and increase efficiency
  – Always keep the “future state” in mind
• Research Administration is always changing
  – We should be prepared to change along with it
Responsibilities for Monitoring

Campus-Wide

• Departmental invoice review is necessary to confirm:
  – Work that has been invoiced has been performed satisfactorily
  – Amounts are accurate
  – Expenses were incurred during the correct period of performance
  – Executed subaward is current/active

• Signature and name of PI on invoice
  – Signature authority delegated to another employee must be approved prior to approval of invoice

• It takes a campus!
  – We are all one team
Questions?