

Boston Medical Center Policy and Procedure Manual



Policy #:	39.03.489
Issued:	October 2001
Reviewed:	
Revised:	March 2015
Section:	39 Research

Subcontract (Subrecipient) Monitoring Policy and Procedure

Purpose:

To provide guidance to Research Administrators, Principal Investigators and Research Operations staff on conducting risk assessment and appropriate ongoing monitoring of federal subrecipients in order to comply with federal subrecipient monitoring requirements as it relates to Boston Medical Center's (BMC) subrecipients. To define risk assessment to ensure proper classification of subrecipients as either Higher or Lower risk, and to ensure appropriate selection and implementation of monitoring methods tailored to particular subawards.

Policy Statement:

It is the policy of BMC that all federally sponsored projects follow the federal OMB Uniform Guidance regarding the monitoring of subrecipients. BMC monitors the programmatic and administrative performance of its federal subrecipients based upon the pre-award assessment of risk and will take appropriate action in the event of subrecipient noncompliance.

Application:

This policy applies to all federal subrecipient relationships, including those relationships with for-profit and foreign entities, as well as all other entities qualifying as "exempt" from 2 CFR Part 200, subpart F, regardless of funding source.

Exceptions:

Non-federal subrecipient relationships

Procedure:

I. Pre-Award Subrecipient Risk Assessment

The BMC Grants and Contracts Office will perform an initial risk assessment for all new subrecipients receiving federal subawards, with subsequent annual risk assessments conducted in January of each year for all subrecipients who will continue to receive federal funding.

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Upon receiving a Just-in-Time (JIT) notification from a federal awarding agency, the Pre-Award Grant Specialist (GS) will review the submitted grant proposal to determine whether it references the use of any subrecipients for the project. For proposals indicating subrecipients, the GS will communicate with the PI or Research Administrator (RA) to verify which subrecipient(s) the PI intends to use if awarded. The GS will then query the SAM subrecipient database to determine whether subrecipients verified by the PI have submitted a signed *Subrecipient Questionnaire* (Appendix C), a single audit report (2 CFR Part 200, Subpart F report) or audited financials, and a federal negotiated IDC rate agreement, in the previous twelve (12) months. The GS will coordinate with the PI or RA to ensure that a Questionnaire is emailed to any subrecipients that have not submitted a Questionnaire or any of these documents in the last twelve (12) months. Once the Questionnaire is returned, the Contract Specialist (CS) enters the subrecipient information into the database, updating previously entered information as needed.

The SAM database tracks subrecipient-monitoring data, including:

- Basic organizational data and contact information for each federal subrecipient;
- Data obtained from responses to Subrecipient Questionnaires;
- Data and comments from initial pre-award risk assessment and subsequent annual reviews of subrecipient single audits or other financial statements;
- The current classification of subrecipients as either Higher or Lower Risk;
- Notations summarizing BMC management decisions based on risk assessment or based on reported audit deficiencies relating to BMC subawards.

Initial Risk Assessment and Monitoring Decision

The BMC Research Attorney will review the information obtained from the *Subrecipient Questionnaire* (Appendix C), any requested supplemental documentation, and publicly available debarment/ suspension/exclusion information. After review and assessment of the information, subrecipients will be assigned to one (1) of two (2) risk categories, Lower or Higher. The initial classification is made based on the matrix criteria below (Table 1). The presence of any “Higher Risk” characteristics will cause a subrecipient to be assigned to the Higher Risk category until the next annual risk review, or until the subrecipient submits adequate documentation of completed corrective action, as applicable.

Table 1

First-Level Risk Assessment Decision Matrix		
Financial Review	Lower Risk Characteristics	Higher Risk Characteristics
Entities with Single Audit	<ul style="list-style-type: none"> • “Low-risk auditee” • Unmodified auditor opinion 	<ul style="list-style-type: none"> • Modified auditor opinion

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	<ul style="list-style-type: none"> • No material weaknesses • No going-concern issue • No material noncompliance with laws 	<ul style="list-style-type: none"> • Material weaknesses • Going-concern issues • Material noncompliance with laws
Financial Statements	Annual audited financials	Not annually audited
Federal Award Experience?	Yes	No
Financial Systems / Controls?	Yes	No
Segregated financial duties?	Yes	No
Provides backup for expenses?	Yes	No
Foreign entity	Single Audit or Annually Audited Financials	Only unaudited financials or financials unavailable

Compliance Review	Lower Risk Characteristics	Higher Risk Characteristics
Debarment/Suspension	Neither institution nor key personnel debarred or suspended	Yes
OIG Exclusions Check	Subrecipient institution not listed in OIG Exclusions database	Adverse OIG actions, including exclusion, suspension

Subrecipients assigned to the “Lower Risk” category in the initial risk assessment still remain subject to normal subrecipient monitoring, including: 1) a review of subrecipient invoices by PIs and departmental RAs to ensure that all expenses submitted are both allowable under the federal award and in line with the technical progress of the subaward (*see* Allowable Costs for Research, BMC Policy# 39.04.007); 2) terms included in the Memorandum of Agreement and Notice of Award (NOA) that communicate flow-down requirements and authorizations applicable to the subrecipient by federal laws and the provisions of the federal award; and 3) submission by the PI or PI delegate of a *Subrecipient Performance Form* (Appendix B) each year for each subcontract as part of the Pre-Award Office’s federal non-competing renewal review.

Subrecipients determined to be “Higher Risk” are evaluated again on a project-specific basis prior to the issuing of the subaward to determine the appropriate level of post-award monitoring and what special conditions, if any, should be added to the subcontract agreement beyond normal

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subrecipient monitoring. The Grants and Contracts Office also performs annual single-audit collection and review for all subrecipients (both Higher and Lower) pursuant to 2 CFR Part 200, Subpart F.

Whenever the Grants and Contracts Office receives a request to issue a subcontract from a federal activity during the course of the year, the Contract Specialist will check the subrecipient database to verify that a risk assessment has been performed. If no assessment information is in the database or no risk assessment has been performed in the previous twelve (12) months, the Contract Specialist will immediately send a Subrecipient Questionnaire (Appendix C) to the subrecipient and will notify the Research Attorney that a risk assessment is required.

Project Specific Monitoring for Higher Risk Subrecipients

For all subrecipients categorized as “Higher Risk”, BMC will require heightened subaward monitoring. To determine the level of monitoring, the Grants and Contracts office will review each Higher Risk subrecipient on a project- specific basis.

Certain weaknesses in subrecipient systems, controls and policies may have no practical impact on a particular subaward (e.g., lack of research-equipment inventory policy, where a federal subaward involves no equipment purchases). A context-specific management decision regarding additional monitoring will consider factors including:

- Dollar amount of the subaward
- Complexity of subaward project, in view of technical and compliance requirements
- Whether subrecipient has successfully managed similar federally funded projects
- Whether subrecipient has successfully performed other federal subawards from BMC
- Relative strengths/weaknesses of subrecipient’s existing financial systems, controls and policies in the context of performing the particular subaward
- PI’s experience with, and assessment of, subrecipient’s ability to perform the project
- Other considerations relevant to assessing the subrecipient’s ability to perform

Immediately after the determination is made that a subrecipient is “Higher Risk,” the Research Attorney will contact the PI and RA to discuss the risk assessment in light of project requirements. Based on communications with the PI and the other factors just noted above, prior to issuing a federal subcontract the Research Attorney will recommend a monitoring plan suggesting special conditions or additional post-award monitoring, if and as appropriate. Once the monitoring plan is approved by the Director, Grants and Contracts and/or the Associate Director/Research Finance, the Research Attorney will record and summarize the plan and factors considered in the SAM database, and communicate the plan back to the PI. The Contract Specialist will then add any necessary special-condition or post-award monitoring language to the MOA/MOAA template and communicate those special conditions or added monitoring requirements to the PI. The PI shall be responsible for ensuring that the subrecipient complies fully with all special conditions and additional monitoring requirements, if any.

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For Higher Risk subrecipients, at a minimum, the PI will be required to certify to subrecipient satisfactory performance every six (6) months using the *Subrecipient Performance Form*. The PI is responsible for collecting and reviewing any interim technical reports, financial expenditure reports, or detailed invoice backup (e.g., receipts, time sheets) that may be required as part of a monitoring plan or special-conditions, if any. Copies of these documents must also be sent by the PI or their delegate to the appropriate Research Financial Analyst (RFA) for the project file.

Other special contract conditions may include:

- Requiring payments as reimbursements rather than advance payments;
- Requiring itemized invoices;
- Withholding authority to proceed to the next phase until receipt of evidence of acceptable performance within a given period of performance;
- Requiring additional, more detailed financial reports at appropriate intervals;
- Requiring additional project monitoring as needed; and
- Requiring the subrecipient to obtain technical or management assistance.

Other monitoring methods may include:

- Initiating performance reports when required; reviewing and monitoring subrecipient program budgets, and evaluating financial performance against technical performance; (terms and conditions written into subcontract to be monitored by PI)
- Evaluating corrective action plans for Subpart F audit deficiencies pertaining to BMC sub-awards (Research Attorney responsibility);
- Contacting the subrecipient regularly during the award period and addressing any inquiries concerning the federally funded program; (PI responsibility)
- Performing site visits to observe program operations and to review financial records (Research Operations responsibility);
- Offering technical assistance to subrecipients as needed to help ensure compliance as well as successful programmatic performance (Research Operations responsibility); and
- Other monitoring methods, as authorized and appropriate.

BMC will consider appropriate sanctions against federal subrecipients it determines are noncompliant with federal statutes, regulations or the terms and conditions of a federal award. Such sanctions may include:

- Temporarily withholding cash payments pending correction of the deficiency by the non-federal entity or more severe enforcement action by BMC;
- Denying both use of funds and any applicable matching credit for all or part of the cost of the activity or action not in compliance;
- Wholly or partly suspend or terminate the federal subaward;
- Withhold issuing additional subawards to the subrecipient; and
- Taking other remedies that may be legally available to BMC.

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II: Single Audit (2 CFR 200 Subpart F) Annual Report Review

BMC must verify that every subrecipient is audited as required by 2 CFR Part 200, Subpart F when it is expected that the subrecipient's federal awards expended during the respective fiscal year equaled or exceeded \$750,000. In accordance with good business practices, BMC also requires a copy of annual audited financials or other annual financial statements or compilations from subrecipients who receive federal funding but are not covered by Subpart F, including for-profit or foreign subrecipients.

Single Audit Review and Management Decision

The Research Attorney reviews a subrecipient's single audit or other financial statements to determine whether it contains findings or raises risk concerns pertaining to the performance of a BMC subaward (e.g., a going-concern notation in an independent audit). Instances of noncompliance or material weaknesses documented in the audit are noted in the SAM database. The Research Attorney reports each instance of findings pertaining to BMC federal sub-awards to the Associate Director of Research Finance for a "management decision" as required by 2 CFR 200, Subpart F. The BMC PI is also notified of any findings pertaining to their federally funded program. The subrecipient's "Corrective Action Plan" is also reviewed by the Research Attorney and the Director, Grants and Contracts. To monitor the implementation of Corrective Action Plans, the Research Attorney may ask the subrecipient for progress updates, for additional documentation, or for permission to perform site visits. If no progress is apparent after a year, appropriate sanctions will be imposed against the noncompliant subrecipient as noted above, including but not limited to suspension of further funding until compliance is satisfactorily attained. Appropriate sanctions will be determined on a case-by-case basis in a management decision by BMC Research Operations after consulting with the BMC PI. The Research Attorney notes and summarizes any management decision and associated sanctions or follow-up in the tracking database.

Federal research subrecipients are identified at Fiscal Year-end from information in Lawson and the SAM database. BMC Research Operations maintains a tracking system to note any audit deficiencies pertaining to BMC subawards and the CS or Research Attorney obtains follow-up reports from the subrecipients as needed to verify that they have implemented timely and appropriate corrective action for such findings.

Single Audit Collection Process

To verify subrecipient compliance with Subpart F, and to obtain up-to-date Single Audits for annual subrecipient monitoring, the Contract Specialist will query the Federal Audit Clearinghouse ("FAC") three times a year: in April, July and October and download audit reports.

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Subrecipients whose Single Audits have not been uploaded into the FAC in accordance with their reported fiscal-year deadlines will be contacted by letter (Appendix A). BMC requires this documentation, regardless of Subpart F exemption status, to verify that exempt subrecipients prepare and, as appropriate, have annual financials audited independently. Subsequent requests are sent at 45-day intervals after the first request. The Contract Specialist assists the Research Attorney by following up via phone calls or emails.

Subrecipient tracking entries are reviewed and updated as necessary by the Research Attorney based on information collected in the Subpart F Review process to update the presence or absence of Higher Risk characteristics according to the initial risk assessment matrix above. Subrecipients may be assigned to the appropriate risk category at any time information is obtained warranting a reclassification.

Responsibility:

Principal Investigators
Research Administrators
Research Operations Staff

Forms:

39.03.489a Subpart F Request Letter, Appendix A
39.03.489b Subrecipient Performance Form, Appendix B
39.03.489c Subrecipient Questionnaire, Appendix C

Other Related Policies:

Subcontracting (BMC as Prime)

References:

Title 2 CFR 200.207, § 200.331, § 200.338,
2 CFR Part 200 Subpart F – Audit Requirements

Section: 39 Research

Policy No.: 39.03.489

Title: Subcontract (Subrecipient) Monitoring Policy and Procedure

Initiated by: Grants and Contracts

Contributing Departments: N/A

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Appendix A

Single Audit Request Letter

DATE

Mr./Ms. Addressee

Title

Organization

Address

City, ST Zipcode

Re: Single Audit (2 CFR Part 200, Subpart F) Subrecipient Monitoring for FY 2014

As a federal pass-through entity, Boston Medical Center (BMC) must monitor your institution's compliance with 2 CFR Part 200, Subpart F (formerly OMB A-133). According to our records, your institution received a federal subaward(s) for our fiscal year ending in 2014 (10/1/2013 – 9/30/2014). Please have an authorized individual at your institution complete this form, attach appropriate documentation, and certify your institution's status by signing at the bottom.

1. We have not yet completed our Subpart F Single Audit for the fiscal year ending 2014. We expect our audit to be completed on ___/___/___ (mm/dd/yyyy) and will:
 (a) Upload the full Single Audit Report to the Federal Audit Clearinghouse; or
 (b) Provide BMC a full copy within 30 days of completion, including a copy of our responses to audit findings and corrective action plan, if any.
2. We have completed our Subpart F audit for the fiscal year ending 2014.
 (a) Enclosed please find a copy of our Single Audit report, including a copy of our responses to audit findings and corrective action plan, if any.
 (b) Our Audit is available on the Internet at URL:_____.
3. We are not subject to Subpart F because (check one): a) we did not expend \$750,000 or more in federal funds; b) we are a for-profit entity; or c) we are a non-U.S. entity.
 Enclosed is a copy of our most recent audited financial statement, end-of-year statement or compilation, documenting accounting compliance standards and controls.

It is the policy of BMC to require all – subrecipients of federal funds to submit copies of annual financial or accounting compliance documentation even without findings pertaining to BMC grants or when exempt from Subpart F. Please email your documentation and this form to my attention at subaward@bmc.org or by regular mail to the address above. Please call 617-414-xxxx with any questions concerning this request.

Signature: _____ Date: _____

Name: _____ Title: _____

Phone: _____ Email: _____

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Sincerely,

XXXXXXXX
Contract Specialist

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Appendix B

Subrecipient Performance Form

Account number: _____ Date: _____

Project Title: _____

BMC Principal Investigator: _____

Program Administrator: _____

Subrecipient (subcontractor): _____

Performance Dates: from _____ to _____ Budget Dollars: \$ _____

1. Does the Subrecipient (subcontractor/subawardee) invoice in a timely manner?

Yes No

1a. List the backup documentation that was supplied by the subcontractor/subrecipient to substantiate the amount billed (e.g., time sheets, copies of invoices for lab supplies, etc.):

2. Are the amounts invoiced reasonable based on the technical progress of the project?

Yes No

3. Is the Subrecipient satisfactorily performing the Scope of Work?

Yes No

4. Are the reports/deliverables (if applicable) satisfactory?

Yes No

5. **["Higher Risk" federal subrecipients only]:** Has the Subrecipient fully complied with all Special Conditions and/or additional monitoring requirements of the subaward agreement?

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Yes No

If you answered **No** to any of these questions, please describe your plan of action to remedy the situation.

I certify 1) that the information submitted above is accurate to the best of the my knowledge; 2) that any false, fictitious, or fraudulent statements or claims may subject me (the Principal Investigator) to criminal, civil, or administrative penalties; and 3) that I (the Principal Investigator) accept the responsibility for the scientific conduct of my project's subrecipients.

PI Signature:

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Appendix C Subrecipient Questionnaire



SUBRECIPIENT QUESTIONNAIRE

Your institution has been identified as a possible recipient of a Federal subaward from Boston Medical Center. As a direct recipient of Federal funds, 2 C.F.R. 300.331(b)(1-4) requires Boston Medical Center to perform an annual pre-award risk-based assessment of your institution's ability to perform its Federal subaward obligations. **This initial assessment and any necessary follow-up must be completed prior to issuing a Federal subaward.** Therefore, it is essential that this questionnaire be completed, signed, and returned to Boston Medical Center at subaward@bmc.org **within ten (10) business days** of receipt.

Organization Basic Information

NAME: _____

LEGAL ADDRESS: _____

DUNS NUMBER: _____ EIN (EMPLOYEE ID NUMBER): _____

WEBSITE URL: _____ NUMBER OF EMPLOYEES: ____ FULL-TIME; ____ PART-TIME

REGISTERED IN CENTRAL CONTRACTOR REGISTRATION (CCR) or SAM? YES NO

DATE CCR REGISTRATION LAST UPDATED: _____

Y N

Does your organization have a negotiated Federal Facilities and Administrative (F&A)/IDC rate?

IF YES, DESIGNATED FEDERAL COGNIZANT AGENCY: _____

ATTACH CURRENT RATE AGREEMENT OR GIVE URL: _____

Questionnaire

1. Is your organization subject to 2 CFR Part 200, Subpart F Single Audit (formerly A-133)?

SINGLE AUDIT CONTACT NAME / TITLE: _____

ADDRESS: _____

EMAIL: _____ PHONE: _____

DATE OF MOST RECENTLY COMPLETED AUDIT: _____

START OF FISCAL YEAR (DAY/MONTH): _____

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Y N

- IN THE PAST THREE (3) YEARS, HAVE ANY **MATERIAL WEAKNESSES** BEEN IDENTIFIED IN YOUR ORGANIZATION'S SINGLE AUDIT REPORTS?

IF NOT UPLOADED TO THE FEDERAL AUDIT CLEARINGHOUSE, ATTACH A COPY OF YOUR MOST RECENT SINGLE AUDIT (A-133) OR PROVIDE A URL: _____

2. Are your organization's annual financial statements audited by an independent outside auditing firm?

IF YES, ATTACH A COPY OF YOUR MOST RECENT AUDITED FINANCIAL STATEMENTS.

Y N

3. In the last two years, has your organization received any U.S. Federal awards, either directly or via subawards from other institutions?

If YES, what was your total dollar volume of Federal awards/subawards in the last completed Fiscal Year? \$ _____.

4. Does your organization have a financial management system that provides records that can identify the source and application of funds for sponsored projects?
5. Does your organization's financial system provide for the control and accountability of project funds, property/equipment and other assets, including controls to prevent expenditures in excess of approved, budgeted project amounts?
6. Are financial duties separated so that no one individual has complete authority over an entire financial transaction?
7. Are all sponsored project disbursements, including payroll charges, properly documented with evidence of receipt of goods or performance of services that can be provided as backup with invoice submissions?

YOU MUST ATTACH A NARRATIVE DESCRIPTION OF YOUR ORGANIZATION'S FINANCIAL SYSTEMS AND CONTROLS IF YOU ANSWER "NO" TO ANY OF QUESTIONS 4 – 7 ABOVE.

Y N

8. Has your organization or any employees, students or agents who may serve as key personnel on a Federal subaward from Boston Medical Center ever been debarred, suspended or otherwise excluded from or found ineligible for participation in Federally supported programs or activities?
9. Does your organization engage in any lobbying or partisan political activity which is charged, directly or indirectly, to a Federally funded program?

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Y N

10. In the last three years, has your organization ever had a Federal award or subaward terminated or canceled "for cause" due to your organization's non-performance of its project obligations?

YOU MUST ATTACH A NARRATIVE EXPLANATION OF THE CIRCUMSTANCES IF YOU ANSWER "YES" TO ANY OF QUESTIONS 8 - 10 ABOVE.

Y N

11. Has your organization received any Federal subawards from Boston Medical Center in the past three (3) years?
12. Does your organization have policies and procedures that address (check all that apply):
- | | | |
|--------------------------------------------------------|--------------------------------------------------|------------------------------------------|
| <input type="checkbox"/> Pay rates and benefits? | <input type="checkbox"/> Time and Attendance? | <input type="checkbox"/> Cost Transfers? |
| <input type="checkbox"/> Employment Discrimination? | <input type="checkbox"/> Purchasing/Procurement? | |
| <input type="checkbox"/> Research Equipment Inventory? | <input type="checkbox"/> Scientific Misconduct? | |

IF REQUESTED BY BMC, YOU MUST PROVIDE A COPY OF ANY POLICIES CHECKED ABOVE.

I am an authorized business official of this organization, and by signing below certify that all of the foregoing responses on this Subrecipient Questionnaire are complete, true and accurate.

Date: _____

Name and Title:

Address:

Phone:

Email:

Questions about this form: Contact BMC Grants & Contracts at (617) 414-2863 or subaward@bmc.org

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