Subrecipient Monitoring Policy

Policy Statement

Harvard University is responsible for monitoring the programmatic and financial activities of its subrecipients to ensure proper stewardship of sponsor funds. The following policy applies to all subawards issued under sponsored programs made to the President and Fellows of Harvard College, without regard to the primary source of funding. Additionally, this policy addresses institutional responsibilities and assists Principal Investigators (PIs) and administrators to ensure that, in addition to achieving performance goals, subrecipients comply with applicable federal laws and regulations and with the provisions of each subaward agreement.

Reason for Policy

OMB Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (2 CFR 200) (“Uniform Guidance”), specifically §200.331, requires pass-through entities to evaluate each subrecipient’s risk of noncompliance in order to determine the appropriate monitoring level, monitor the activities of subrecipient organizations to ensure that the subaward is in compliance with applicable Federal statutes and regulations and terms of the subaward, and verify that subrecipients are audited as required by Subpart F of the Uniform Guidance.

For non-federal awards, Harvard may also be required by the sponsor to provide evidence of due diligence in reviewing the ability of a subrecipient to properly meet the objectives of the subaward and account for the sponsor’s funds.

Failure to adequately monitor the compliance of subrecipients could result in reputational damage to the University and Schools, and jeopardize current and future funding. It is the responsibility of Harvard, as the pass-through entity, to ensure the good stewardship of sponsored funding. All funds assigned to subrecipient organizations should receive the same diligence as sponsored funds that remain at Harvard.

Who Must Comply

All Principal Investigators (PIs) and administrators at Harvard University within all schools, units, divisions, University-wide initiatives, and centers, who are involved with the administration and
conduct of sponsored awards that issue and manage subawards must comply with this policy.

**Roles and Responsibilities**

Subrecipient monitoring responsibilities are shared among the following:

- **PI & Department/Local Unit**
  - Assess potential subrecipient organizations for programmatic, financial, and administrative suitability at the time of proposal
  - Request subrecipient organization information or request expedited review of the subrecipient organization at the proposal stage, if necessary
  - Confirm the statement of work and review any non-standard terms and conditions of the subaward during the subaward agreement negotiation process
  - Monitor programmatic progress and ability of the subrecipient to meet objectives of the subaward
  - Monitor each subaward throughout the period of performance and escalates concerns to the school subrecipient monitoring subcommittee
  - Provide written confirmation of the review of each subaward to the school’s Subrecipient Monitoring Subcommittee on a quarterly basis

- **School/Local Unit**
  - Establish a school/local Subrecipient Monitoring Committee or equivalent process
  - Coordinate subaward monitoring at the school level
  - Facilitate regular monitoring of subawards and obtain confirmation of reviews from the departments/local units
  - Provide records of quarterly subaward monitoring of individual subawards and report material issues noted during the reviews to the University Subrecipient Monitoring Committee (USMC)
  - Work with PIs and departments to resolve issues on subawards as they arise

- **Office for Sponsored Programs (OSP)**
  - Gather information on new subrecipient organizations and review existing subrecipient organizations on an annual basis
  - Manage the subrecipient monitoring database
  - Inform schools, departments, and PIs when issues are identified with a subrecipient organization with whom they have an active subaward
  - Distribute regular subrecipient monitoring reports to the schools/local units
  - Schedule, run, and document the University Subrecipient Monitoring Committee meetings

- **OSP and Sponsored Programs Administration (SPA)**
  - Review information obtained for initial and annual subrecipient organization risk assessment and assign a risk rating
  - Incorporate additional terms into subawards based on information from the PI, department/local unit, and the risk assessment of the subrecipient organization
• **University Subrecipient Monitoring Committee (USMC)**
  • Review, revise, and approve risk assessments on new subrecipient organizations and annual updates to subrecipient organizations’ risk ratings
  • Review problematic subawards as identified by the schools
  • Update subrecipient organization risk rating when appropriate

• **Office of the Provost**
  • Review and approve certain high-risk projects that may involve subrecipients at the proposal stage and, as necessary, during the life of the award based on the provostial criteria

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**Procedures**

The following procedures outline the process for monitoring subrecipients. Per 2 CFR §200.331, Harvard is required to review each subrecipient organization and monitor each individual subaward.

**Reviewing and assessing subrecipient organizations**
All new and existing active subrecipient organizations will be rated annually. OSP will obtain copies of the Single Audit Reports if the entity is subject to 2 CFR 200, Subpart F, or request financial and other relevant information for institutions not subject to the Single Audit requirements. A risk rating will be assigned prior to issuing a subaward.

**Including subawards in a proposal**
Before including a subaward in a proposal, investigators and departmental/local staff should consider the ability of the subrecipient organization to perform the work and adequately manage the administrative and financial responsibilities in accordance with the subaward terms and conditions. Information in the subrecipient monitoring database should be reviewed and if applicable, the PI or departmental/local staff should request an expedited review of the subrecipient organization. PIs and departmental/local staff should consider including in the Harvard budget the cost of a limited scope audit for subrecipient organizations not subject to Single Audit Act (200.425).

**Drafting and negotiating a subaward**
Once it is determined that a subaward is appropriate, all applicable terms and conditions of the prime award must be flowed down to the subrecipient organization. When drafting the subaward agreement, OSP/SPA will review the risk assessment and rating level, any prior Harvard experience with the subrecipient, and any other available information to determine if additional terms and conditions should be included in the subaward agreement.

**Ongoing monitoring of individual subawards**
Ongoing programmatic and financial review of each subaward is required. On a quarterly basis, written documentation of the monitoring and results are provided to the school/local unit. Material issues with subawards should be escalated to the school’s Subrecipient Monitoring Subcommittee as soon as they arise.
Escalation and resolution of problematic subawards
PIs and department/local unit staff should report issues to the school’s Subrecipient Monitoring Subcommittee. Upon review of information, the school’s Subrecipient Monitoring Subcommittee will report significant issues that could affect other current or future subawards, to the University Subrecipient Monitoring Committee (USMC). The USMC may change the risk rating, recommend additional monitoring, revise terms and conditions of the subaward agreement, and/or other procedures to remedy the concern.

Additional Resources
Subrecipient Monitoring Toolkit
Procedures (under revision)

Related Policies
Subrecipient vs. Contractor Guidance

Related Documents
Sponsored Expenditure Guidelines
OMB Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (2 CFR 200)
Provostial Review Criteria

Contacts and Subject Matter Experts
University Subrecipient Monitoring Committee (USMC)
School subrecipient monitoring subcommittees
Office for Sponsored Programs
Harvard Medical School Sponsored Programs Administration
School of Public Health Sponsored Programs Administration
School research administration offices
School/local representatives or committees

Definitions
Contractor (Vendor) – Organization that provides goods and services within normal business operations. Contractors (vendors) provide similar goods and services to many different purchasers, operate in a competitive environment, and provide goods or services that are ancillary to the operation of the sponsored program.
Federal Audit Clearinghouse – Division of the Office of Management and Budget (OMB) that collects information on Single Audit (formerly A-133) results.

Pass-through entity – Non-federal entity that provides a federal award to a subrecipient to carry out a federal program; sometimes referred to as the “prime” or “lead” organization.

Subaward – Enforceable agreement, issued under a prime sponsored project, between a pass-through entity and a subrecipient for the performance of a substantive portion of the program; these terms do NOT apply to the procurement of goods or services from a contractor (vendor). (See Subrecipient vs. Contractor Guidance under “Related Polices” above).

Sponsored award – Funding arrangement in which the University is providing a return benefit to, or agrees to provide a defined deliverable or complete a set of activities for, the sponsor in exchange for the funds, regardless of whether the funding instrument is designated a contract, cooperative agreement, grant, consortium agreement, or otherwise.

Subrecipient (subcontractor or subawardee) – Organization eligible to receive a financial award. A subrecipient’s performance is measured against whether the objectives of the sponsored program are met; subrecipients have responsibility for programmatic decision-making and for adherence to applicable program compliance responsibilities. Subrecipients are responsible for performing a substantive portion of the program, as opposed to providing goods and services.


Revision History

July 2012 – Initial effective date of policy

December 2014 – Updated references to the Uniform Guidance and the Subrecipient vs. Contractor (Vendor) guidance

December 2015 – Reissued policy
Reflects significant revision of policy, specifically relating to the review and monitoring of subrecipient organizations and review of specific subawards