	POLICY: Subcontracting - Establishing, Managing, and Monitoring Subawards Responsible Office: Office of Research and Sponsored Programs			
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Policy Statement

This policy applies to all subawards issued under sponsored awards made to Lehigh University, regardless of the primary source of funding. As the prime recipient of a sponsored award, Lehigh University (the University) is responsible for monitoring the programmatic and financial activities of its subrecipients in order to provide reasonable assurance of proper stewardship of sponsor funds, performance against the agreed scope of work, that aims and/or deliverables are achieved/received, and that subrecipients administer subaward funding in compliance with the terms and conditions of the subrecipient agreement.

The Office of Research and Sponsored Programs (ORSP) is responsible for issuance of all subawards off of externally funded awards. The Principal Investigator (PI) is responsible for the oversight and monitoring of subrecipients. All faculty and staff involved in the conduct and/or oversight of sponsored research involving a subrecipient are expected to understand the policy and follow related procedures.

Reason for Policy and Underlying Principles

This policy informs the University community of its obligation for proper monitoring and stewardship of sponsored funds when those funds are used to issue a subaward to a subrecipient. When a portion of the research is being carried out by a subrecipient, the University remains responsible to the sponsor for the management of those funds and in meeting performance goals. The University adheres to 2 CFR Part 200.331.d, "Requirements for pass-through entities", which requires the University to monitor subrecipients' activities in order to provide reasonable assurance that subrecipients administer subaward funding in compliance with sponsor requirements.

The monitoring of technical and financial activities associated with a subrecipient is an integral part of the University's stewardship of sponsored funds. The University will assess the subrecipient organization's financial and internal controls and may include additional terms and conditions in the subrecipient agreement consistent with the level of risk identified.

Financial Conflicts of Interest Related to Research and Sponsored Program and Subcontracts

Per the University's policy on Financial Conflicts of Interest Related to Research and Sponsored Programs, if the Lehigh PI, or any project personnel responsible for the design, conduct, reporting or direct administration of the research has a Significant Financial Interest (SFI) in the subrecipient External Entity, they must disclose the Significant Financial Interest via the Sponsored Program Proposal-Based Disclosure Form prior to the submission of a proposal utilizing the Sponsored Program Proposal-Based Disclosure Form. When appropriate, SFIs that are found to present a real or apparent Financial Conflict of Interest will be managed by the Conflict of Interest Review Committee (CIRC) through coordination with the Research Integrity Office.

Procedures

The University assesses the subrecipient's financial status and internal controls. Based on this evaluation, Lehigh determines the appropriate monitoring strategy, which is reflected in the terms and conditions of the subrecipient agreement.

The University will perform all of the following stewardship activities with regard to subrecipients:

- Advise subrecipients of requirements, including but not limited to financial and non-financial reporting, imposed on them by federal laws, regulations of the flow-down provisions of the prime award and any supplemental requirements imposed by the University dependent on level of risk as determined by the University;



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- provide the best information available to describe a federal award to each subrecipient including the CFDA number, prime award number, award year, and the name of the sponsor as required by OMB Uniform Grant Guidance via the subaward document;
- require each subrecipient to permit the sponsor and/or the University and its auditors to have access to the pertinent records and financial statements, as necessary;
- monitor expenditures and activities of the subaward to confirm that funding provided to the subrecipient is used for purposes authorized in the agreement and that performance goals articulated in the statement of work are achieved. As part of this activity, PIs are required to sign invoices authorizing payments to subrecipients. This requirement cannot be delegated. And;
- confirm subrecipients expending \$750,000 or more in federal awards during the subrecipient’s fiscal year are compliant with Uniform Guidance audit requirements by requesting audit confirmation from all subrecipients. The subrecipient is to certify whether findings were or were not reported as part of their audit (NOTE: if an FDP member or Expanded Clearinghouse participant, this review can be completed utilizing the Clearinghouse);
 - Under these conditions, if and when the University receives a subrecipient audit report that include findings, the University will:
 - review and determine whether funds are required to be returned to Lehigh or any financial adjustments necessary as a result of the audit’s disclosed findings;
 - confirm that the subrecipient has taken appropriate and timely corrective action, and;
 - issue a management decision letter to the subrecipient as required by regulation.

If a material weakness or other reportable condition exists, the University may take management actions as appropriate, such as additional terms or conditions added to the subaward document and/or termination of the agreement.

Definitions

Term	Definition
Financial Conflict of Interest	Exists when the university reasonably determines, pursuant to the policy on Financial Conflicts of Interest Related to Research and Sponsored Programs, that an individual’s Significant Financial Interest is related to a University Research or Sponsored Program and could directly and significantly affect the design, conduct, or reporting of the research or sponsored programs.
Significant Financial Interest	Include the following: <ul style="list-style-type: none"> • With regard to a publicly traded external entity, an SFI exists if the sum of (a) the total value of any remuneration received by the Project Personnel and their family from the external entity in the twelve months preceding the disclosure and (b) the value of any equity interest in the external entity as of the date of disclosure exceeds \$5,000. For purposes of this definition, remuneration includes salary and any payment for services not otherwise identified as salary (e.g., consulting fees, honoraria, paid authorship); and equity interest includes any stock, stock option, or other ownership interest, as determined through reference to public prices or other reasonable measures of fair market value. • With regard to any non-publicly traded external entity, an SFI exists if the value of any remuneration received by the Project Personnel and their family from the external entity in the twelve months preceding the disclosure, when aggregated, (a) exceeds \$5,000, or (b) when the Project Personnel and/or their family holds any equity interest (e.g., stock, stock option, or other ownership interest) regardless of its value.




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	<ul style="list-style-type: none"> ● Intellectual property rights and interests (e.g., patents, patent applications, copyrights) of the Project Personnel and/or their family, assigned to or to be assigned to a party other than the University, upon receipt of income related to such rights and interests. ● A management position in any entity, such as a director, officer, partner, president, vice-president, or trustee, held by the Project Personnel (and not their family) in any entity. ● As required by the federal regulations and only for Project Personnel on PHS funded awards or cooperative agreements issued on or after August 24, 2012, any travel that is reimbursed or paid on the Project Personnel’s (and not their family’s) behalf, related to the individual’s Lehigh responsibilities, and determined by Lehigh to constitute or contribute to an SFI. This excludes any travel that is reimbursed or sponsored by Lehigh University; a U.S. federal, state, or local government agency; a U.S. non-profit institution of higher education as defined at 20 U.S.C. 1001(a), an academic teaching hospital, a medical center, or a research institute that is affiliated with an institution of higher education in the U.S. ● Participation by the Project Personnel and/or their family in or support from a talent recruitment or development program based outside of the U.S. <p>Significant Financial Interests (SFI) do not include the following:</p> <ul style="list-style-type: none"> ● Salaries, royalties, or other remuneration paid by Lehigh to an individual, including intellectual property rights assigned to the institution and agreements to share in royalties related to such rights. ● Income from investment vehicles, such as mutual funds and retirement accounts, as long as the individual does not directly control the investment decisions made in these vehicles. ● Income from seminars, lectures, or teaching engagements sponsored by, or income from service on advisory committees or review panels for a U.S. federal, state, or local government agency; a non-profit U.S. institution of higher education as defined at 20 U.S.C. 1001(a); an academic teaching hospital, a medical center, or a research institute that is affiliated with a non-profit U.S. institution of higher education as defined at 20 U.S.C. 1001(a). ● Any paid-for or reimbursed travel determined by Lehigh to not constitute an SFI.
Subaward	A subaward (also referred to as a subcontract or subgrant) is a legally binding agreement that is issued when a substantive portion of a sponsored project will be performed by another entity.
Subrecipient	A subrecipient (also referred to as a subawardee or subcontractor) is the legal entity that receives a subaward from a pass-through entity to carry out part of a sponsored program. Typical subrecipients of Lehigh include institutions of higher education, for-profit corporations, not-for-profit entities and foreign or international organizations.
Subrecipient Monitoring	Subrecipient monitoring includes those activities undertaken by Lehigh to review and monitor the subrecipient’s completion of the scope of work (PI responsibility), as well as its financial stewardship of the funds the subrecipient received under the subaward (PI and ORSP jointly responsible). This activity is intended to mitigate any financial and programmatic risk.

Responsibilities

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Responsible Party	List of Responsibilities
Contract and Grant Specialist, Office of Research and Sponsored Programs	<p>At the time a subaward is made, performs a subrecipient risk assessment, which includes ensuring that the subawardee meets federal regulations and determining whether the identified risk level is manageable.</p> <p>Ensures that all required data elements are included in the subaward.</p> <p>If a subrecipient's risk is determined to be high, manages the mitigation and/or escalation process, as necessary.</p> <p>Engages in ongoing, annual review and random monitoring of subawards to assess any change in risk.</p> <p>Ensures fCOI Disclosure(s) is/are on file at the time of proposal.</p> <p>Using appropriate guidelines and regulations, determines whether a proposed subawardee is a subrecipient or consultant.</p> <p>Provides PIs and department business offices with training and guidance to better understand their roles.</p>
Department Business Administrator/Coordinator	Assists PIs in meeting their monitoring responsibilities.
Principal Investigator(s) ("PIs")	<p>Obtains proposal-relevant documentation from subrecipient, including Subrecipient Commitment Form, Statement of Work, Letter of Intent, and Budget.</p> <p>Monitors the technical progress of a subrecipient's performance as defined in the subaward.</p> <p>Ensures that a subrecipient has met all deliverables.</p> <p>Ensures that a subrecipient has complied with all applicable public policy requirements and objectives.</p> <p>Reviews invoices for cost allowability, compliance with federal regulations, prime award and subaward terms and conditions. In addition, ensures that the amount billed is consistent with technical/progress reports and production of deliverables.</p> <p>Approves invoices for payment. <i>This task may not be delegated.</i></p> <p>Returns invoice approvals to ORSP in a timely manner and retains copies for departmental records.</p> <p>Notifies ORSP CGS when problems arise regarding invoicing or performance.</p>

Related Resources

University Policies and Documents
<p><i>Procedure document to be updated and posted to website:</i> SOP: Subcontracting - Establishing, Managing, and Monitoring Subawards</p> <p>Policy: Financial Conflict of Interest Related to Research and Sponsored Programs</p> <p>PI Subrecipient Invoice Review/Certification Statement (e-mail text)</p>
External Documentation
<p>Uniform Guidance: Subrecipient Monitoring and Compliance 2 CFR Part 200.330 – 200.332</p> <p>2 CFR Part 200 Compliance Supplement – Section 3.1-M Subrecipient Monitoring</p>
University Forms and Systems



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[Subrecipient Determination Checklist](#)

[Subrecipient Commitment Form](#)

[Sponsored Program Proposal-Based Disclosure Form](#)

For questions about this policy:

Office of Research and Sponsored Program

610-758-3021

inors@lehigh.edu

<https://research.cc.lehigh.edu/contact-us-orsp>

Revision History

Date	Summary
15-Sep-2020	Moved existing policy to Research Administration policy template. Added details to provide clarification on existing processes.