I. Purpose

To ensure that subrecipients are properly classified, Federal award information and terms and conditions are provided to subrecipients, subrecipient activities are monitored and payments are processed as required. Also, the University should perform procedures to provide reasonable assurance that the subrecipient obtained required audits and takes appropriate corrective action on audit findings.

II. Definitions

A. Contractor – an entity that receives a contract, which is 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.

B. Fixed amount subawards – subawards based on fixed amounts up to the Simplified Acquisition Threshold, that meet the requirements for fixed amount awards in 2 CFR 200.201. A pass through entity may provide fixed amount subawards with prior written approval from the Federal awarding agency.

C. Pass-through entity (PTE) – a non-Federal entity that provides a subaward to a subrecipient to carry out part of a Federal program.

D. Subaward – award provided by a PTE to a subrecipient for the subrecipient to carry out part of a Federal award received by the PTE. 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 PTE considers a contract.

E. Subrecipient – a non-Federal entity that receives a subaward from a PTE to carry out part of a Federal program; but does not include an individual that is a
beneficiary of such program. A subrecipient may also be a recipient of other Federal awards directly from a Federal awarding agency.

F. Subrecipient monitoring – activities that occur throughout the year and which may take various forms, such as:

1. Reporting – Reviewing financial and performance reports submitted by the subrecipient

2. Site visits – Performing site visits at the subrecipient’s location to review performance and financial records and observe operations

3. Regular Contact – Regular communications with subrecipients and appropriate inquiries concerning program activities.

G. Tax Clearance - Under Hawaii Revised Statutes section 103-53, as a prerequisite to entering into subagreements of $25,000 or more, subrecipients are required to provide proof of tax clearance from the Hawaii Department of Taxation and the Internal Revenue Service to the effect that all tax returns due have been filed, and all taxes, interest, and penalties levied against the subrecipient have been paid. The tax clearance requirement does not apply in the following situations:

1. Subawards which are less than $25,000; or

2. Subawards made to a government agency. "Government agencies" includes any government agency, whether domestic or foreign, including municipal, county, state, or federal. This would include public universities. See Hawaii Tax Facts 2000-1 at http://tax.hawaii.gov/legal/a2_b2_1taxfacts/.

III. Administrative Procedure

A. Objectives

Document official policies and procedures for subrecipient monitoring and management.

B. Applicability

UH is responsible for the programmatic and financial monitoring of its federally sponsored award subrecipients. A subrecipient is a third-party entity that performs a portion of a project for which UH has primary responsibility for the work product and management of project funds. Federal awards expended as
a recipient or a subrecipient would be subject to these requirements. The payments received for goods or services provided as a contractor would not be considered Federal awards. The terms of the relationship between UH and each subrecipient are documented in a subaward or consortium agreement.

C. Responsibilities

1. Principal Investigators (PI) have the primary responsibility and Fiscal Administrator (FA) are responsible for assisting the PI with:

   a. making case-by-case determinations whether each agreement it makes for the disbursement of Federal program fund casts the party receiving the funds in the role of a subrecipient or a contractor;

   b. selecting qualified subrecipients;

   c. developing the subaward agreement and using subrecipient’s negotiated F&A rate or providing them with a de minimis F&A rate of 10% if they have never received a negotiated rate;

   d. advising the potential subrecipient to obtain their Hawaii State and IRS tax clearance as soon as possible so payments are not delayed;

   e. ensuring that subrecipient completes S-1 “Subrecipient Commitment Form” and S-2 "Federal Subrecipient Questionnaire" (if applicable) – forms available on the ORS website at [http://www.ors.hawaii.edu/index.php/apply/forms](http://www.ors.hawaii.edu/index.php/apply/forms);

   f. executing the subaward agreement and ensuring that required information (See “Subaward Information Checklist” at [http://www.ors.hawaii.edu/index.php/apply/forms](http://www.ors.hawaii.edu/index.php/apply/forms) is provided to the subrecipient – if some of this information is not available, provide the best information available to describe the Federal award and subaward;

   g. ensuring that subawards are being used for their authorized purpose and that performance goals are being achieved;

   h. ensuring that payments to subrecipients are made within 30 calendar days after receipt of an invoice, unless there are outstanding performance or financial issues (e.g. no Hawaii State and IRS tax clearance);

   i. performing required monitoring procedures based upon the level of risk determined by ORS;
j. maintaining documentation of monitoring efforts, including evidence of reviews and approval for payment of invoices and any outstanding issues that prevent the University from meeting the 30 calendar day payment deadline;

k. communicating any deficiencies and instances of noncompliance to ORS.

2. Office of Research Services (ORS) is responsible for:

a. notifying the PI and FA when the prime award contains flow through provisions that must be included in award documents provided to the subrecipient (See “Subaward Information Checklist” at http://www.ors.hawaii.edu/index.php/apply/forms);

b. assisting the PI and FA with subrecipient and contractor determinations;

c. providing oversight of the University’s subrecipient monitoring program;

d. performing a risk assessment of each subrecipient and notifying the project of the risk level and required monitoring procedures. See “Monitoring Procedures” at http://www.ors.hawaii.edu/index.php/apply/forms;

e. Obtaining and reviewing certifications, reports and correspondence related to the subrecipient’s audit requirements;

f. Implementing additional monitoring activities, as deemed necessary.

D. Procedures

1. PI with assistance from the FA:

a. prepares “Subrecipient v. Contractor Determination Checklist” to determine whether an agreement casts the party receiving the funds in the role of a subrecipient or a contractor and attaches documentation to the PO;

b. provides the potential subrecipient with the S-Forms packet which includes the FDP subaward agreement, S-1 “Subrecipient Commitment Form” and S-2 “Federal Subrecipient Questionnaire” (if applicable) – forms available on the ORS website at http://www.ors.hawaii.edu/index.php/apply/forms and notifies the
subrecipient to register with Hawaii Compliance Express (https://vendors.ehawaii.gov/hce/splash/welcome.html;jsessionid=E2328DFF440160AE0C8C411D1E862FAC.prodapp1) as soon as possible and obtain a Tax Clearance in order to receive payments in a timely manner;

c. obtains and reviews the completed S-Forms packet, including the half-executed subaward agreement from the subrecipient and submits to ORS for final execution;

d. provides subrecipient with a fully executed subaward agreement which includes the required subaward information (See “Subaward Information Checklist” at http://www.ors.hawaii.edu/index.php/apply/forms);

e. reviews subrecipient’s performance and financial reports/status and confirms that Federal awards are being used for their authorized purpose and that performance goals are being achieved;

f. approves subrecipient’s invoices for payment and works with the FA to process payments to subrecipients within 30 calendar days after receipt of an invoice, unless there are outstanding performance or financial issues (e.g. no Hawaii Stated and IRS tax clearance, delinquent performance or financial reports or insufficiently detailed invoices);

g. maintains communication with the subrecipient, especially when improvement is necessary which may include meetings and/or onsite visitation with the subrecipient;

h. maintains communication with the responsible FA and brings questions and problems regarding subrecipient’s performance and expenses incurred to their attention;

i. performs required monitoring procedures based upon the level of risk determined by ORS;

j. maintains documentation of monitoring efforts (e.g. review of performance and financial reports, notes, meeting agendas, minutes, correspondence, travel documents), including evidence and reviews and approval for payment of invoices and any outstanding issues that prevent the University from meeting the 30 calendar day payment deadline;

k. escalates issues that cannot be resolved internally to ORS.
2. FA also performs the following: process payments to subrecipients within 30 calendar days of invoice receipt date (invoice must be approved by the PI).

3. Office of Research Services (ORS)
   a. evaluate each subrecipient’s risk of noncompliance with Federal statues, regulations, and the terms and conditions of the subaward for purpose of determining the appropriate monitoring level;
   b. provides oversight review of subrecipient monitoring activities performed by the PI/FA and may perform additional monitoring procedures, as deemed necessary to ensure that federal awards are used for authorized purposes in compliance with laws, regulation, and the provisions of contracts or with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved;
   c. ensure that subrecipients that are subject to Single Audits have met such requirements;
   d. advise PI/FA to implement sanctions against subrecipients who do not comply with all requirements;

IV. Delegation of Authority

There is no administrative procedure specific delegation of authority.

V. Contact Information

Office of the Vice President for Research and Innovation, telephone number: (808) 956-5006; and email uhovpri@hawaii.edu may be contacted for information relating to this Administrative Procedure.

VI. References

Link to superseded procedures: https://www.hawaii.edu/policy/archives/apm/

VII. Exhibits and Appendices
None

**Approved:**

Vassilis Syrmos  
Vice President for Research and Innovation