Subaward Management

Recognizing the Red Flags

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A pattern, practice, or form of suspicious activity by a subrecipient that signals potential non-compliance, non-performance, or fraud.

How could Red Flags affect me?

- Breach of prime contract
- Incomplete deliverable to prime
- Prime sponsor recoupment of costs
- Audit Findings
- Increased prime sponsor scrutiny
- Prime sponsor withdrawal of awards
- Damage to PI and Stanford's reputation

Potential Red Flags

- Infrequent or inconsistent invoicing
- Large amounts invoiced at the project end or,
- A spike in an invoiced amount
- Resistance when requesting back-up documentation
- Unresponsive subrecipient
- Multiple invoice revisions reflecting shifting expenses
- Frequent invoice errors
- Progress report and/or invoice costs do not align with SOW or budget
- Delay or non-receipt of deliverables
- Vague updates on technical progress

Case Study #1

Subaward under an NIH PPG

Y1 Budget: $3,000   1% PI Effort

$79,500   per sample analysis cost @ $5,300/unit
(includes full cost of staff + materials to conduct the analysis)

- 10 months goes by, no invoice received to date
- 1st annual progress report received from subrecipient lists >1% effort by PI and 2 Research Associates
- Your PI states that no samples have been sent to subrecipient for analysis.

What do you do?

Case Study #2

<u>Subaward under an NSF Grant</u>

Total Budget = $150,000/year for 3 years

Agreement terms require quarterly invoices

Subrecipient Invoices as follows:

Quarter	invoiced costs	cumulative to date
Q1	no invoice	$ 0
Q2	no invoice	$ 0
Q3	$ 35,000	$ 35,000
Q4	$ 33,000	$ 68,000
Q5	no invoice	$ 68,000
Q6	$183,000	$251,000

You receive the Q6 invoice. What do you do?

Subaward under an NIH U-Grant

Budget = $100,000/year for 2 years

Carry-forward requires prior approval

Quarterly invoices received from the subrecipient:

Q1 = $19,000	Q5 = $ 25,000
Q2 = $21,000	Q6 = $ 25,000
Q3 = $25,000	Q7 = $ 30,000
Q4 = $25,000	Q8 = $ 30,000
Y1 Total = $90,000	Y2 Total = $110,000

You receive the Q8 invoice. What do you do?

Case Study #4

Subaward under an ONR Grant

During invoice review, costs are significantly out of alignment with the subaward budget. The department emails the subrecipient to ask for back-up documentation for expenses incurred. The subrecipient does not respond despite 2 follow-up emails. The department administrator finally calls and receives a response that the subrecipient feels they have met their work statement goals and that they should not have to provide any documentation. Your PI wants to avoid conflict and approves the invoice for payment. The next 2 invoices are similarly out of alignment with what was budgeted.

What do you do?

Subaward under a DoD Grant

You have a subrecipient who, in their first year of the project, has repeatedly submitted "revised" invoices for quarters 1 and 2. Each time their revisions reflect different totals in major expense categories. After the 3rd quarter of receiving revised invoices, you ask for back-up documentation to support the costs incurred. The back-up does not align with the expenses of the original Q3 invoice, and the subrecipient submits yet another revised invoice to match the back-up they are submitting.

What do you do?

Agreement Terms

Do not include terms that add undue administrative burden to a subrecipient...

But..... Remember that the agreement should include terms that protect your institution and PI's interests.

- Include a clear Statement of Work
- Include clear deliverables, their expected form/format and timetables
- Clearly specify what will happen in the case of non-performance

Approving Invoices

- **Do not approve** invoices for payment if technical or financial reports are delinquent

- **Do not approve** invoices that are insufficiently detailed for you to feel confident the costs are allowable, allocable, and reasonable

- **Communicate any deficiencies** to the subrecipient in a timely manner and allow them time to correct

- Make sure **certification language** and **PI signature** is on the invoice:

    "*In signing below I approve payment of this invoice and attest that the charges appear reasonable, and progress to date is satisfactory and in keeping with the statement of work*"

Potential Responses to Subaward Risks

- Discuss need for special monitoring with PI/dept.
  - Ask for more frequent technical reporting
- Add more detailed or frequent invoicing requirements
  - Add requirement for expenditure backup materials
  - Penalties for untimely invoicing
- Tie receipt of technical progress reports or other deliverables to payments
- Adjust the scope of work to be very specific about what is expected
- Add more stringent termination or stop-work language for failure to comply with requirements

Leverage next increment of funding to insert tighter contract language around all of the above points

Remember

Prior to invoice approval you have the power to address red flags and reduce the risk to your award and to Stanford. Once the invoice has been paid, it is much harder to ask for backup and address non-compliance. If something about your subrecipient seems fishy, ask the hard questions first!

For any questions or comments regarding this presentation or subaward monitoring please contact

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