



DUE DILIGENCE AND MONITORING POLICY FOR COLLABORATORS (SUB-RECIPIENTS) (INTERNAL USE)

Document Type	Policy
Document owner	Andrew Dyer, Finance Director (PSP)
Approved by	Management Board
Approval date	11 December 2019 (Version 2.0) 6 March 2018 (Version 1.0)
Review date	19 June 2020
Version	2.1
Amendments	2.1 Minor Change – the term ‘Sub-recipient’ has been replaced with Collaborator in the title and the main body of the policy. A new link has also been included ‘Guidance Note for Monitoring Collaborators’
	2.0 Additional sections 4, 5 & 9, amendments to section 2 and general updates to the policy.
	1.0. New Policy
Related Policies & Procedures	Project Team Due Diligence Guidance Note Subgrantee financial reporting Collaborator (Sub-recipient) vs. Contractor determination guidance

1. SCOPE

- 1.1. This policy applies to the Project Team, Research Operations (RO), Due Diligence Analyst, and any staff or students involved in the administration and stewardship of sponsored awards.

2. PURPOSE AND OVERVIEW

- 2.1. London School of Hygiene & Tropical Medicine (“LSHTM”) retains a responsibility for sponsor funds distributed to collaborators for research projects.

- 2.2. The purpose of this policy is:

2.2.1 to ensure that appropriate procedure is in place for undertaking due diligence on collaborators prior to distributing sponsor funds for sub-awards in order to protect the School from any possible financial risks, legal implications and reputational damages; and

2.2.2 to ensure that effective monitoring procedure is in place for monitoring collaborators during the course of the research projects in order to identify and

mitigate any risks that may impact LSHTM's reputation, academic and quality standards and research integrity.

3. POLICY

- 3.1 LSHTM is responsible for financial and programmatic monitoring of sponsored project funds awarded to the School. LSHTM undertakes due diligence and monitors collaborators to determine risk and reasonably ensure proper stewardship of sponsor funds. This policy applies to all sub-awards. The policy is to assist LSHTM in ensuring that collaborators comply with the applicable laws, regulations, terms, conditions and any other award requirements, whilst meeting the LSHTM standards and performance goals.
- 3.2 This policy is not a mechanism to prevent engagement with existing or potential collaborators, but if collaborators have been scored as high risk, LSHTM needs to ensure that adequate controls are in place to mitigate any risks associated with engaging with the collaborator.

4. DUE DILIGENCE

- 4.1 The Due Diligence process enables LSHTM:
- 4.1.1. to evaluate whether the collaborator has the academic, governance, financial and legal standing to support a high quality and sustainable partnership; and
 - 4.1.2. to identify and mitigate any risks prior to and during the project work in order to protect LSHTM from possible reputational damage, financial risks and legal implications.
- 4.2 Where deemed appropriate, LSHTM normally undertakes three forms of due diligence on collaborators:

(1) Initial Due Diligence

Undertaken on potential collaborators prior to the commencement of the research project for collaborators awarded a sub-award value greater than £10,000.

(2) Interim Due Diligence

Undertaken on existing collaborators working on existing and new research projects every two years.

(3) Light touch Due Diligence

Undertaken on collaborators, to reduce financial risk and to protect LSHTM from any possible reputational damage. This Due Diligence is undertaken upon the discretion of the members on the Due Diligence Review Panel and Executive Panel. This assessment can be carried out on collaborators:

- who have a high standing academic reputation and research excellence;
- who have been awarded a sub award below £10,000;
- where concerns have arisen of an existing collaborator; or
- where there is a change of ownership for an existing collaborator.

5. MONITORING

- 5.1 LSHTM is responsible for ensuring that monitoring process are in place to effectively monitor collaborators during the course of the research project(s).
- 5.2 As noted in section 4 above, LSHTM conducts interim due diligence on existing collaborators to monitor and reassess the collaborators academic, financial and legal ability to continue to collaborate with LSHTM on research projects.
- 5.3 LSHTM also undertake collaborator (sub-recipient) monitoring. The purpose of the collaborator monitoring is for the relevant Project Team to monitor and report to LSHTM on the collaborator's performance of the research project and subgrantee financial report.
- 5.4 The Project Team is expected to monitor each sub-award during the course of the research project. Upon receipt of the subgrantee financial report from the collaborators, Project Team is expected to complete a collaborator (sub-recipient) monitoring checklist for all collaborators at least quarterly or as per to the agreed terms of the collaborator contractual agreement.
- 5.5 The Project Administrators from the Project Team is required to save the collaborator (sub-recipient) monitoring checklist and the subgrantee financial report within Agresso document archive before approving to release payment to the collaborator.

6. ROLES AND RESPONSIBILITIES

Due diligence and collaborator monitoring is divided amongst the following:

6.1 Due Diligence Analyst:

- Make contact with the collaborator and send a request for information required to undertake the assessment
- Ensure completeness of the information provided
- If after sending reminders critical information has still not been provided as per the assessment absolutes of the **due diligence procedures**, inform the Deputy Finance Director as well as the relevant Research Contracts Manager (RCM) within RO, and classify the collaborator as 'Insufficient Information provided' in the due diligence **database**
- Where sufficient information has been provided by the collaborator, perform an assessment based on the established due diligence procedures
- Allocate a score (High, Medium or Low Risk) to the collaborator using the scoring guidelines and following the Assessment Outcomes and Escalation Process flow chart embedded in the **Research Operations Procedure Note for Due Diligence**
- Update the database with the assessment outcome
- Send a copy of the assessment to the relevant RCO and Research Finance Officer (RFO), which is also stored centrally
- Upon receipt of the **Collaborator Monitoring** file from the Project Team, summarise the monitoring efforts using the **Collaborator (Sub-recipient) Monitoring Record Trail**

- Update the database with the collaborator monitoring results as provided by the Project Team
- Perform Interim Due Diligence and light touch Due Diligence where deemed appropriate according to section 4 above
- Update the database reflecting any change in the risk rating of the collaborator

6.2 Research Operations:

- At Letter of Intent (LOI) stage the Research Funding Team will raise awareness for the potential need for due diligence to be carried out on any partners/collaborators
- At pFACT financial assessment stage the Research Funding Team will notify the PI and Project team of any potential Due Diligence requirements for partners/collaborators
- At project set up stage the Research Service Team will send an email notifying Due Diligence Analyst, PI and Project Team if there are any partners/collaborators included in the Prime Agreement
- At sub-contracting stage the Research Contracts Team will check that there is emailed confirmation from Due Diligence of assessment outcomes and that they are able to proceed with a partner/collaborator agreement
- Where necessary, RO will develop an action plan based on the assessment findings through modifications and additions to the terms and conditions of the award to allow for collaborator (sub-recipient) monitoring
- Modifications and additions to terms and conditions of an award may include but are not limited to;
 - a request for more frequent invoicing
 - evidence of expenses (timesheets, invoices, receipts, etc.)
 - release of funding at intervals in arrears instead of lump sum and advance payments
 - scheduled calls with the awardee to review project progress and expenditure compared to the project plan and budget
 - modifications to the sub-award at project intervals
- For US Federal sponsored awards, RO will issue a management decision on single audit findings within six months after receiving the collaborator's audit report and ensure the collaborator takes appropriate and timely corrective action
- For US Federal sponsored awards the RO will maintain the annual collaborator monitoring requirements.

6.3 Principal Investigator and Project Team:

- On approval of an LOI or submission of an application for funding the PI/Project team may contact the Due Diligence Analyst to confirm the process
- On receipt of the project setup notification the PI/Project team will contact the Due Diligence Analyst to confirm the Due Diligence status of collaborator and if there is a requirement to engage in the process
- On submission of contract checklist to Research Contracts Team, the PI/Project team will include email confirmation from Due Diligence Analyst that process is complete and we can progress with contractual negotiations or confirmation that Due Diligence is not required

- Completion and submission of the Internal Due Diligence Request Form on ServiceDesk showing basic information about the contracting collaborator under consideration
- Monitor each sub-award at least quarterly or as per to the collaborator contractual agreement by;
 - having the PA assess and document timeliness, correctness, accuracy, and completion of invoices and financial reports noting any findings using the **Collaborator (Sub-recipient) Monitoring Financial and Project Report Checklist**
 - having the PI assess and document whether project expenditure, progress, and performance are in line with expectations using the **Collaborator (Sub-recipient) Monitoring Financial and Project Report Checklist**
 - investigating significant plan and budget variances through supporting evidence, and increasing the frequency of reviews if necessary and informing Research Finance Officer
- PA to save the **Collaborator (Sub-recipient) Monitoring Financial and Project Report Checklist** and the financial report on the **Agresso document archive** before seeking approval to release the scheduled payment(s) to the collaborator
- For High risk collaborators, PA to notify and send a copy of the Sub-recipient Monitoring Financial and Project Report Checklist upon completion and saving on **Agresso document archive** to the Due Diligence Analyst duediligence@lshtm.ac.uk
- Where there are concerns, work with the relevant PA or PI to have them reconciled
- Following attempts, where matters are unable to be reconciled escalate those concerns to RO for resolution with the sub-recipient's institutional authorities
- Invoices should not be approved for payment unless performance has been delivered as agreed and all matters have been resolved

6.4 **Deputy Finance Director(DFD)/ Head of Research Operations (HoRO)/ Research Services Manager (RSM):**

- Where there are financial or other matters requiring further insight or interpretation, the matter will initially be brought to the DFD, HoRO and RSM to be resolved

6.5 **Chief Operating Officer (COO)/Financial Director (FD) /Head of Research Operations (HoRO):**

- Where significant concerns are identified or additional expert judgement is required, matters should be escalated to an Executive Panel comprising of COO, FD and HoRO for evaluation and decision making

7. DEFINITIONS

Collaborator – The legal entity to which a sub-award is made to carry out a portion of the School's programmatic effort under a sponsored project, also referred to as a "sub-recipient" and "sub contractor".

Due Diligence Analyst – LSHTM staff member who is responsible for performing due diligence reviews of collaborators for the transfer of funds in exchange for activities.

Due Diligence Review Panel – Deputy Finance Director and Research Services Manager or Head of Research Operations.

Executive Panel - Head of Research Operations, Finance Director and Chief Operating Officer.

Pass-through entity – The non-federal entity that provides a sub-award to a collaborator (sub-recipient) to carry out a program, also referred to as the “prime” or “lead” organisation.

Principal Investigator (PI) – LSHTM staff member who is the lead researcher or scientist of a project. The PI is the person most informed and accountable for measurement of the collaborator’s performance.

Project Administrator (PA) – LSHTM staff member who facilitates projects, and provides guidance to project teams. Also responsible for Financial Report monitoring.

Project Team – LSHTM Lead Research, LSHTM Principal Investigator, LSHTM Project Manager, LSHTM Project Administrator, LSHTM Project Coordinator and any other member of staff from the faculties at LSHTM involved with the management of the project.

Research Operations (RO) – LSHTM department which provides guidance in applying for and administering the School’s research funding. It provides advice on funder’s terms and conditions, costing, submissions, contracting, financial reporting, and audits.

Sub-award – An enforceable agreement of financial support from a prime awardee, between a pass through entity and a collaborator, or a collaborator to a lower-tier collaborator for the performance of a substantive portion of the program. This term excludes the procurement of goods and services from a contractor. **(Refer Collaborator (Sub-recipient) vs. Contractor determination guidance).**

Sponsored Award – An arrangement whereby LSHTM agrees to provide a return benefit or defined deliverable(s) in exchange for sponsor funds.

Uniform Guidance – Office of Management Budget (OMB) publication entitled “Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards”.

8. REFERENCES

- 8.1 OMB Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards ("Uniform Guidance") 2 CFR 200 (http://www.ecfr.gov/cgi-bin/textdx?tpl=/ecfrbrowse/Title02/2cfr200_main_02.tpl)

9. APPENDICES

- 9.1 Questionnaire Template *(for External Use)*

- [Initial Due Diligence Questionnaire](#)
- [Interim Due Diligence Questionnaire](#)
- [Light Touch Due Diligence Questionnaire](#)
- [Collaborator \(Subrecipient\) Commitment Form](#)

- 9.2 Assessment Template *(for Internal Use)*

- Financial Inputs and Outputs
- Internal Score Sheet

9.3 Monitoring Template *(for Internal Use)*

- [Collaborator \(Sub-Recipient\) Project and Financial Report Checklist](#)
- Collaborator Monitoring Record Trail
- Monitoring Tracker

9.4 Guidance Notes

- [Project Team Guidance Note for Due Diligence *\(for Internal Use\)*](#)
- [Collaborator \(Sub-recipient\) vs Contractor Guidance *\(for Internal Use\)*](#)
- Research Operations Procedure Note for Due Diligence *(for Internal Use)*
- [Guidance Note for Monitoring Collaborators *\(for Internal Use\)*](#)