RISK ASSESSMENT AND MONITORING OF NON-U.S. BASED RECIPIENTS
AND SUB RECIPIENTS: A REVIEW OF BEST PRACTICES

by

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Abstract

This project aims to prepare small grant-awarding organizations for the growing trend of international research collaborations. Through analysis of best practices of risk assessment in place at research-intensive universities, smaller organizations with less experience administering awards and sub awards to international recipients, and smaller organizations can adapt these procedures to fit their operations with limited resources. Through this, they limit their exposure to the financial and legal risks accompanying international research collaborations, while also fostering cooperation in the future. The analysis and findings will be compared to the single audit reports of the selected organizations to identify strengths and areas for improvement. The aggregate of the most effective controls in place is assembled as reference material and internal control frameworks for small grant-awarding organizations to implement.
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Glossary

Terms and definitions taken directly from 2 CFR 200 Uniform Guidance.¹

**Audit finding** - deficiencies which the auditor is required by § 200.516(a) to report in the schedule of findings and questioned costs.

**Auditee** - any non-Federal entity that expends Federal awards which must be audited under subpart F of this 2 CFR 200.

**Auditor** - an auditor who is a public accountant or a Federal, State, local government, or Indian tribe audit organization, which meets the general standards specified for external auditors in generally accepted government auditing standards (GAGAS). The term auditor does not include internal auditors of nonprofit organizations.

**Contract** - for the purpose of Federal financial assistance, a legal instrument by which a recipient or subrecipient purchases property or services needed to carry out the project or program under a Federal award. For additional information on subrecipient and contractor determinations, see § 200.331. See also the definition of subaward in this section.

**Corrective action** - action taken by the auditee that:

1. Corrects identified deficiencies;
2. Produces recommended improvements; or

(3) Demonstrates that audit findings are either invalid or do not warrant auditee action.

**Cross-cutting audit finding** - an audit finding where the same underlying condition or issue affects all Federal awards (including Federal awards of more than one Federal awarding agency or pass-through entity).

**Disallowed costs** - those charges to a Federal award that the Federal awarding agency or pass-through entity determines to be unallowable, in accordance with the applicable Federal statutes, regulations, or the terms and conditions of the Federal award.

**Federal Audit Clearinghouse (FAC)** - the clearinghouse designated by OMB as the repository of record where non-Federal entities are required to transmit the information required by subpart F of this part.

**Foreign organization** - an entity that is:

(1) A public or private organization located in a country other than the United States and its territories that is subject to the laws of the country in which it is located, irrespective of the citizenship of project staff or place of performance;

(2) A private nongovernmental organization located in a country other than the United States that solicits and receives cash contributions from the general public;

(3) A charitable organization located in a country other than the United States that is nonprofit and tax exempt under the laws of its country of domicile and operation, and is not a university, college, accredited degree-granting institution of education, private foundation, hospital, organization engaged exclusively in
research or scientific activities, church, synagogue, mosque or other similar entities organized primarily for religious purposes; or

(4) An organization located in a country other than the United States not recognized as a foreign public entity.

**Foreign public entity:**

(1) A foreign government or foreign governmental entity;

(2) A public international organization, which is an organization entitled to enjoy privileges, exemptions, and immunities as an international organization under the International Organizations Immunities Act (22 U.S.C. 288–288f);

(3) An entity owned (in whole or in part) or controlled by a foreign government; or

(4) Any other entity consisting wholly or partially of one or more foreign governments or foreign governmental entities.

**Indirect (facilities & administrative (F&A)) costs** - those costs incurred for a common or joint purpose benefitting more than one cost objective, and not readily assignable to the cost objectives specifically benefitted, without effort disproportionate to the results achieved. To facilitate equitable distribution of indirect expenses to the cost objectives served, it may be necessary to establish a number of pools of indirect (F&A) costs. Indirect (F&A) cost pools must be distributed to benefitted cost objectives on bases that will produce an equitable result in consideration of relative benefits derived.
**Internal controls** for non-Federal entities means:

(1) Processes designed and implemented by non-Federal entities to provide reasonable assurance regarding the achievement of objectives in the following categories:

   (i) Effectiveness and efficiency of operations;

   (ii) Reliability of reporting for internal and external use; and

   (iii) Compliance with applicable laws and regulations.

(2) Federal awarding agencies are required to follow internal control compliance requirements in OMB Circular No. A–123, Management's Responsibility for Enterprise Risk Management and Internal Control.

**Questioned cost** - a cost that is questioned by the auditor because of an audit finding:

(1) Which resulted from a violation or possible violation of a statute, regulation, or the terms and conditions of a Federal award, including for funds used to match Federal funds;

(2) Where the costs, at the time of the audit, are not supported by adequate documentation; or

(3) Where the costs incurred appear unreasonable and do not reflect the actions a prudent person would take in the circumstances.
(4) Questioned costs are not an improper payment until reviewed and confirmed to be improper as defined in OMB Circular A–123 appendix C. (See also the definition of Improper payment in this section).

**Recipient** - an entity, usually but not limited to non-Federal entities that receives a Federal award directly from a Federal awarding agency. The term recipient does not include subrecipients or individuals that are beneficiaries of the award.

**Subaward** - an award provided by a pass-through entity to a subrecipient for the subrecipient to carry out part of a Federal award received by the pass-through entity. 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 pass-through entity considers a contract.

**Subrecipient** - an entity, usually but not limited to non-Federal entities, that receives a subaward from a pass-through entity to carry out part of a Federal award; but does not include an individual that is a beneficiary of such award. A subrecipient may also be a recipient of other Federal awards directly from a Federal awarding agency.

**Termination** - the ending of a Federal award, in whole or in part at any time prior to the planned end of period of performance. A lack of available funds is not a termination.
Chapter 1. Introduction

1.1. Background.

The Space Telescope Science Institute historically has not awarded grant funding to non-U.S.-based institutions or any U.S. investigators with foreign affiliations. This past budget cycle, the Institute was given a directive from NASA to relax its eligibility requirements and begin allowing U.S. investigators with foreign affiliations and foreign investigators to submit funding proposals. The only requirement now enabling foreign investigators to be eligible is that they must establish part-time appointments with U.S.-based institutions that are willing to host them. This directive was given without any guidance for how to mitigate the significant increase in risk to the Institute and NASA by extension.

The global research community has become increasingly interconnected thanks to technology that makes communication and data sharing nearly seamlessly. The adaptation of this technology became significantly more widespread following the response to the COVID-19 pandemic in efforts to reduce interpersonal exposure and slow the spread of the virus. The adoption of this technology has become so accepted as a reasonable alternative to in-person collaboration that STScI investigators are having their in-person collaboration meeting funding cut from their grants, and it is being recommended that it take place virtually.

1.2. Statement of the Problem.

The Space Telescope Science Institute is not adequately prepared to assess and mitigate the significantly increased risk that accompanies allowing investigators with foreign affiliations to receive NASA funding and data. Many non-profit organizations and
other grant-awarding agencies will face this problem as international research collaboration inevitably becomes more common as technology improves and such collaborations become more attractive to investigators.

1.2. Project Question.

The aim is to complete a comprehensive desk review of the best practices of risk assessment and mitigation practiced by universities, paired with interpretations of current policies enforced by the major federal grant awarding agencies to create a job aid handbook for departments to base their own risk assessment policies off if they are starting out or to strengthen their existing policies and procedures to eliminate gaps and further mitigate risk.

1.3. Project Objectives.

This project seeks to fulfill four main objectives:

1. A comprehensive evaluation of various organizations’ risk assessment policies and procedures.

2. A compilation and review of existing relevant requirements from major federal grant awarding agencies.

3. A better understanding of the risk NASA is assuming by allowing foreign investigators and to provide educated feedback to NASA of our concerns so they can affirm or roll back their eligibility updates depending on their risk tolerance.

4. Supporting materials and deliverables that can be adopted by administrators at other institutions facing similar challenges so they can successfully avoid predictable pitfalls in partnering with foreign institutions.
1.5. Significance.

Institutions that are taking on a new or increased volume of collaborations with foreign institutions cannot be caught unprepared or underprepared for the risk accompanying such collaborations. The world is becoming increasingly interconnected including in the research and development community. These collaborations across borders are becoming more numerous and institutions need to get ahead of the volume in order to properly assess and mitigate the risk of these partnerships. The response to COVID-19 led to an unprecedented number of international collaborations to discover treatments as quickly as possible. The scale of these collaborations is represented visually in the NCES chart below:

It is likely that the world will face more problems that call for a global effort to solve, which is why institutions should be more prepared with infrastructure to handle these collaborations in a safe and ethical way for the institutions involved while also remaining administratively efficient so as not to interfere with the project outcomes.

1.6. Exclusions and Limitations.

This review will be limited to Research Intensive Institutions (R1) as classified by the 2022 NSF Higher Education Research and Development (HERD) Survey. The top results of the 2022 HERD Survey are listed in Table 1 below:

<table>
<thead>
<tr>
<th>Institution</th>
<th>Rank</th>
<th>#</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>All institutions</td>
<td>-</td>
<td></td>
<td>97,680,528</td>
</tr>
<tr>
<td>Johns Hopkins U.</td>
<td>1</td>
<td>3,420,312</td>
<td></td>
</tr>
<tr>
<td>U. California, San Francisco</td>
<td>2</td>
<td>1,805,950</td>
<td></td>
</tr>
<tr>
<td>U. Pennsylvania</td>
<td>3</td>
<td>1,791,311</td>
<td></td>
</tr>
<tr>
<td>U. Michigan, Ann Arbor</td>
<td>4</td>
<td>1,770,708</td>
<td></td>
</tr>
<tr>
<td>U. Washington, Seattle</td>
<td>5</td>
<td>1,559,708</td>
<td></td>
</tr>
<tr>
<td>U. California, Los Angeles</td>
<td>6</td>
<td>1,536,197</td>
<td></td>
</tr>
<tr>
<td>U. California, San Diego</td>
<td>7</td>
<td>1,533,357</td>
<td></td>
</tr>
<tr>
<td>U. Wisconsin-Madison</td>
<td>8</td>
<td>1,523,513</td>
<td></td>
</tr>
<tr>
<td>Duke U.</td>
<td>9</td>
<td>1,390,538</td>
<td></td>
</tr>
<tr>
<td>Stanford U.</td>
<td>10</td>
<td>1,384,555</td>
<td></td>
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</table>

*a Johns Hopkins University includes the Applied Physics Laboratory, with $2,056,063 thousand in total R&D expenditures in FY 2022.

The review will not include any institution that is not an R1 institution, including High Research Activity (R2) universities or Special Focus Research Institutions. Their research volume is insufficient to warrant a review of their procedures. Additionally, their research volume will not have exposed their administration to nearly as many unique scenarios

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from which policy changes are tweaked or created. These restrictions serve the project aims to compile the best practices of R1 institutions to develop information that institutions, such as the Space Telescope Science Institute, with less international experience can adopt to minimize costly mistakes or learning hard lessons from experience.
Chapter 2. Literature Review

2.1. Overview of literature review.

The body of literature selected provides comprehensive background information for this research project. It includes helpful insight for readers who may not have a background in this aspect of research administration. The articles address challenges in international research administration, including intellectual property rights, transparency in disclosures, and the development of proactive research security programs. The overall information in the articles stresses the complexity of managing international partnerships. It highlights the need for updated export controls, adherence to current regulations, and the cultivation of a thorough understanding of international research administration among institutional staff.

2.2. Details of review.

The article titled *Value in the International Space: Examining the Challenges and Barriers on Research Administration International Research Teams* by Angela White-Jones, PhD from SRA International, emphasizes the critical role of research administrators in navigating the complexities of international research collaborations. It outlines specific challenges such as ensuring research integrity, addressing intellectual property concerns, and managing diverse regulatory environments. The text advocates for measures such as enhanced training, and standardized processes to improve the efficiency and effectiveness of international research teams. It highlights the importance of
addressing these barriers to foster successful international partnerships in research administration.³

The article titled *Science and Security: What You Should Know* by Gloria Greene and Debra Schaller-Damers at the University of Alabama at Huntsville and Memorial Sloan Kettering Cancer Center discusses concerns raised by U.S. Government and funding agencies like NIH, NSF, DOE, and NASA about foreign influence on federal research. It highlights the major issue of researchers at U.S. institutions failing to disclose foreign affiliations and activities, which could jeopardize future funding and national security. Further, it emphasizes the importance of transparency in international collaborations and offers insights into managing non-compliance and navigating laws related to foreign influences. The article asserts that open communication and clear expectations are crucial to fostering ethical and transparent research collaborations with foreign entities.⁴

The article *Professional Development: The Pains of Dealing with a Foreign Entity* by Alma Hurd at SRA International describes the challenges that can be predictably encountered in managing the financial and compliance aspects of grants to foreign entities. Hurd touches on various hurdles, such as IRB approvals, export controls, banking issues, and logistical complications with international consultants and regulatory requirements. Hurd stresses the complexity of such agreements and the need for patience

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and adaptability in navigating the administrative aspects of these international research projects.\textsuperscript{5}

The article \textit{Developing a Proactive Research Security Program in an Era of Heightened Foreign Influence} by Klay Hartwick and Kacey Strickland at Mississippi State University outlines guidance for universities to create effective research security programs. It emphasizes the importance of leadership buy-in, proactive threat identification, and adaptive strategies beyond following government guidelines. Key recommendations include integrating training programs, consolidating disclosure systems, and fostering transparency within research administration.\textsuperscript{6}

The article \textit{Every Institution Needs an Up-do-Date Export Controls Program} by Rani Muthukrishnan at the Texas A&M University, San Antonio, emphasizes the importance for institutions of higher education to have current export control programs to protect against foreign espionage and comply with U.S. laws. The article highlights how U.S. colleges are targets for foreign intelligence due to their open environment and discusses the risks associated with international collaborations and current talent.


recruitment programs. Muthukrishnan also mentions the FBI's outreach efforts to help institutions develop comprehensive Export Controls Programs to mitigate these risks.7

2.3. Applicability of Literature Review.

These resources collectively emphasize the importance of establishing strong protocols to safeguard against all risks of international collaboration, including national security threats. They also serve to create an institutional administrative environment that supports productive international collaborations without needlessly weighing them down with an overbearing administrative burden. These articles lay the groundwork for identifying and evaluating effective best practices to mitigate risks while promoting the integrity and success of international research projects.

Chapter 3. Need(s) Assessment

3.1. Need(s) Assessment.

For the first budget cycle at the Space Telescope Science Institute, which allowed foreign investigators to apply, there were relatively few foreign applicants. It is assumed that once word gets out to the astronomy community of the relaxed eligibility, an overwhelming number of foreign investigators will seek funding. Under the current rules, any U.S.-based institution could sponsor an appointment for a chance to receive NASA funding through a foreign investigator. This opens opportunities for domestic organizations, foreign individuals, and foreign entities to do so for the wrong reasons.

3.1.1 Assessment of Need.

The Space Telescope Science Institute currently lacks procedures and policies to differentiate the foreign affiliated STScI grant seekers from the domestic ones despite the drastic difference in risk associated with awarding to one of these investigators over U.S. based investigators with no foreign affiliations. The assumption is that STScI is not alone in this need, and can serve as an example for other small non-profit organizations who may be planning to open their funding up to international competition now or in the future.

3.2. Metrics.

The metrics utilized to determine the need for this assessment are highlighted in Figure 2 below:
Roughly one third of science and engineering papers published by U.S. investigators in 2020 had a foreign co-author. The future of research and development for the U.S. will involve more international collaboration to solve future global issues.

3.3 Sources.

Leadership at STScI expressed concern about NASA’s potential haste in implementing their decision to relax eligibility requirements to include foreign investigators. Management is worried about the possibility of a headline news article in our future sensationalizing an account of Hubble or James Webb Space Telescope data or NASA funds being used improperly or by a non-friendly foreign entity. Such press could lead to NASA or the Space Telescope Science Institute becoming targets for budgetary raids by Congress in future budget years due to perceived mismanagement of U.S. tax dollars. The Hubble Space Telescope research budget was cut significantly in FY24,
which has put extreme strain on the community's research efforts. Since these funds were already severely oversubscribed by the U.S. astronomy community before expanding eligibility, such cuts would be devastating to the science and potentially push astronomers out of the field altogether. It is the administration’s job to ensure that the few available dollars are being utilized in the best and most efficient way possible. Any waste at all can be the difference between a student being able to continue to their work under their PI or a postdoctoral fellow being able to be paid and support their family.
Chapter 4: Project Description

4.1. Discussion of project elements.

The first element of the project will be a comprehensive risk assessment of the top five R1 institutions by research expenditures in FY22. These institutions are Johns Hopkins University, University of California, San Francisco, University of Pennsylvania, University of Michigan, Ann Arbor, and University of Washington, Seattle. This assessment will be presented in the form of a detailed policy and procedure document outlining best practices, methodologies, and tools that these institutions have adopted to assess and mitigate risks associated with foreign grant recipients. Further, the best practices outlined in the document will have accompanying explanations to justify their inclusion and how they will improve controls in the user’s institution.

Next, the project will include an implementation guide for users. This will be a practical guide for applying the risk assessment policies and procedures within the institution, including step-by-step procedures, checklists, and templates that various departmental business structures could adopt, as these vary significantly from institution to institution, especially when they are not of similar organizational size and volume of research expenditures. Since the motivation for this project is to implement it at small non-profit organizations like the Space Telescope Science Institute, the specific aim will be to present the information in a way that works for organizations with less administrative personnel, since large R1 institutions have entire teams of administrators dedicated to performing single tasks that may be only a fraction of the job of one administrator at a small institution with less volume. Many of the procedures utilized by R1 institutions may be impossible to implement at small non-profit organizations due to
personnel and budget constraints. This implementation guide will be presented with these constraints in mind.

Subsequently, these documents will be used to create a risk assessment handbook for users. The handbook will accompany the assessment and implementation guide. It will be designed to enhance the capacity of staff involved in the administration of grants and subgrants to foreign recipients to implement risk assessment policies more effectively. The format will be a quick reference and will point users to other documents in the project if they require more detailed information. This will be designed to be used as a more day-to-day aid for administrators to reduce the amount of information diving they will need to do to implement these controls. Additionally, this will include quick references to specific regulations that administrators may need to justify requests for information from recipients during their routine recipient evaluations in case the recipient pushes back against such requests. Since many competing priorities usually split administrators’ time on a day-to-day basis, if these procedures are too arduous to implement and keep up with, departments will realistically quickly drop them from their priorities. Subsequently, they likely won’t be revisited unless there are audit findings or administrative actions taken by sponsors resulting from issues that arise from international recipients, which defeats the purpose of the preventative goal of the project. Conversely, suppose departments adopt these practices or are performing some or all of them already. In that case, they can use this project as part of a presentation to senior leadership to back up the need for more resources to aid in the prudent stewardship of funds at the institution and defend the assertion that resources spent on this aim will save the institution time, money, and reputational goodwill in the long run.
The final component of the project will be comprised of technology recommendations to users. This will take the form of an evaluation report on technology solutions for risk assessment implemented by the assessed institutions. It is expected that as the assessments are being completed on the selected institutions, some institutions will have automated some of the procedures using specific software products or specific tools as a part of their enterprise-wide research administration software package. It is likely that small institutions will not have the budgets to purchase the same large enterprise software packages for their institution that the biggest R1 universities can. Still, these recommendations will serve as a guide for managers to have a grasp of what is out in the research administration community. Through this guide, they will have a better idea of what to look for the next time their institution wants to add new products to their workflow or are shopping around for a new software system to update their outdated one. Further, it can also give management ideas to present to their current vendor to request features to be added to their existing enterprise resource management software if possible. Finally, if none of these are options, it can also be used for small institutions to develop a detailed request for their internal coding team to build an application for internal use.
Chapter 5. Methodology

5.1. Methodology Overview.

The project will utilize qualitative and quantitative methods to comprehensively analyze risk assessment policies and procedures implemented by the top five research-intensive institutions. This will include a review of institutional policies and procedures, paired with case studies of successful risk management controls with foreign grant and subgrant recipients. The project will also involve a comparative analysis of any risk assessment tools and technologies that the selected institutions may use in their process, evaluating their efficiency and effectiveness in the context of foreign grant funding.

5.2. Project Design and Discussion.

First, to effectively evaluate risk assessment policies and procedures, this project must identify precisely what are the potential risks associated with awarding grants to foreign recipient institutions. These risks will be assembled and organized by category, including financial, legal, compliance, operational, and reputational risks associated with foreign funding, and to develop methodologies for their evaluation.

The design of the risk assessment policies and procedures evaluation will ensure alignment with industry standards and regulatory requirements. This will be accomplished first by compiling the relevant laws and regulations. Then, each of the top five R1 institutions’ policies and procedures will be compiled and evaluated against those regulations. Next, their policies and procedures will be evaluated in comparison to those of their peers. There is expected to be some variance between institutions due to differences in business practices and organizational structure. Independent of these factors, variance due to a particular institution’s potential control gaps can be identified.
using this evaluation method. The evaluation will ensure that the evaluated best practices for risk assessment adhere to legal standards and ethical considerations, particularly focusing on financial management, data protection, and research integrity.

Next, each institution’s identified risk assessment practices will be evaluated against their three most recent Single Audit Reports posted in the Federal Audit Clearinghouse (FAC). The Single Audit Reports will be reviewed to identify any findings or auditor evaluations relevant to the institution’s policies and procedures. Any evaluations of significant deficiencies of internal controls that do not directly impact but may impact the administration of grants to foreign institutions will also be considered.

Further, if the selected institutions reference any technology tools being used in these procedures, the specific products will be noted and evaluated based on the significance of their role in the procedure process and the administrative burden that they remove. It is possible that some of the procedures identified in the assessment will only be made possible by efficiencies created by software aids and would not be practical for an individual or team to complete the task manually without the workload alleviated by the software tool.

The next step is to develop the materials and resources for staff in external organizations to utilize the information gathered by this project. The information must be presented concisely to ensure they are equipped with the knowledge and skills to implement the new risk assessment policies effectively. The materials will need to present a flexible risk assessment framework that can be adapted to various organizational structures and scaled to accommodate a range of situations and foreign entity types, from
universities to governments to private research institutions. The materials will also establish continual review and monitoring mechanisms for periodic assessment of the procedures’ continued relevance to the organization's business practices to ensure they are effectively meeting the needs of the current research landscape and not wasting institutional resources to carry out.
Chapter 6. Project Results and Discussion

6.1. Project Result 1.

The first R1 institution assessed was Johns Hopkins University (JHU). Johns Hopkins University ranks first on the list of R1 institutions ranked by federal expenditures with $3.42 billion in fiscal year 2022. Johns Hopkins has many published policies that contribute to its long record of clean single audit reports. Among these are several that pertain to the administration of foreign sub-recipient partners.

JHU has an intake questionnaire that must be filled out for every new potential sub-recipient. Their questionnaire is filed and reviewed by the Sub-awards Team in the Johns Hopkins University Research Administration (JHURA) office. The questionnaire is more routine if the prospective sub-recipient is a domestic organization but is much more extensive if the preparer indicates that the organization is foreign. The additional information required includes information about the organization’s accounting systems, experience with federal awards, audit information, and relevant local laws or policies that could be problematic for monitoring.

Johns Hopkins utilizes a first-party software internal tool to help administrators keep track of information about sub-recipients and the related sub-awards called The Subaward Workflow Information Tracking System (SWiFT). This system is very extensive and has a comprehensive user guide to train users in its full capabilities.

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electronically tracks sub-awardee information and all sub-awards at every step of the award life cycle and retains that information for record retention after closeout. It also specifically tracks if the prime award contains any restrictions that would limit the sharing of information with foreign nationals.

During the award, the administrator overseeing the award is required to review and certify sub-recipient invoices and progress reports. If the recipient is high-risk, including foreign institutions, the administrator is required to perform a detailed review of their accounting statements every six months.10

The previous three audit reports for JHU for fiscal years 2022, 2020, and 2018 each reported no findings in questioned costs relating to federal awards. Further, all three disclosed no material weaknesses or significant deficiencies in internal controls.11 Considering foreign sub-awards are higher risk areas for potential audit testing, this is a confident indication that JHU has strong internal control policies surrounding foreign sub-recipient risk assessment and monitoring that administrators are properly carrying out.

6.2. Project Result 2.

The University of California San Francisco (UCSF) was the next institution assessed. UCSF ranks second on the list of R1 institutions ranked by federal expenditures

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with $1.81 billion in fiscal year 2022. UCSF has extensive resources available online for information on their policies and procedures relating to foreign sub-recipients. However, unlike JHU, UCSF has produced findings in its recent single audit reports.

The first resource UCSF has that stood out is its extensive international sub-recipient training landing page for administrators.\(^\text{12}\) Much of the page is gated for UCSF employees only but contains comprehensive training, including over three hours of training videos discussing terminology, requirements for International Contractor Agreements, workflow, roles, responsibilities, processing indirect costs, and other special considerations for working with international sub-recipients. The page also contains written training materials, including two example scenarios with a fictional international sub-recipient, one real case study, and an activity packet accompanying the training videos. One important detail noted was that while the page view counts weren’t available, the training video view counts were each under 100, raising questions about how widely utilized these resources are in practice among staff who administer foreign sub-awards.

UCSF has very comprehensive, organized, and easy-to-find resources for conducting business internationally. The information is assembled on its International Research Support Operations page, which contains relevant information under its International Project Support Operations section. When working with potential international sub-recipients, the department must fill out a Subaward/Subcontract Request form. Additionally, the department must provide a certification that the foreign sub-

recipient acknowledges that it has read and understands all the UCSF subrecipient monitoring requirements and agrees to abide by them.\(^{13}\)

The previous three single audit reports for The University of California disclosed relevant findings in all three years of audit reports pulled: 2023, 2022, and 2021.\(^{14}\) The first finding disclosed in each of the three audit reports detailed instances of sub-recipient monitoring not being performed according to university policies and Uniform Guidance requirements, including checklists not being performed and other documentation of follow-up procedures being unclearly filled out or not dated correctly. In 2021, auditors noted that the university policies themselves were not compliant with Uniform Guidance. While its policies have since been remedied, this finding remains a repeat finding in the 2023 audit report. The other relevant finding that appeared in all of the audit reports tested was that administrators were issuing sub-awards without first performing the SAM.gov suspension and debarment check.

It is important to note that the audit reports assessed the entire University of California system and did not disclose which campus produced these findings. The reports indicated that a specific campus produced the findings but did not refer to them by name; instead, they labeled them Campus 1, Campus 2, etc. It is possible that these findings did not occur on the University of California, San Francisco campus specifically, but are cross-cutting audit findings that are relevant to this project. Still, these findings


are consistent with the low view counts on the UCSF sub-recipient training modules, suggesting that internal controls are being dropped entirely in practice by administrators despite the plethora of information published by the university.

6.3. Project Result 3.

The following institution assessed was The University of Pennsylvania (UPenn). UPenn ranks third on the list of R1 institutions ranked by federal expenditures, with $1.79 billion in fiscal year 2022. Like Johns Hopkins University, UPenn also had clean audit reports in the past three fiscal years.

The University of Pennsylvania does not have nearly as much information published regarding its assessment of foreign sub-recipients as JHU and UCSF. Regardless, their audit reports disclosed no findings. Perhaps they utilize more internal training and job aids in supplementing the information they have displayed publicly. UPenn utilizes a first-party software internal tool called the Research Inventory System (RIS) to track and manage their potential and existing sub-awards and sub-recipients.\(^1\)

The system tracks outgoing sub-awards, material transfer agreements, non-monetary agreements, and fees for service. Functionally, the system is very similar to JHU’s SWiFT and is very comprehensive in the information it tracks, alleviating administrative burden. UPenn also assumes its foreign sub-recipients do not have their own financial conflict of interest (FCOI) policy, and thus forces their potential sub-recipients to agree to either

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adopt UPenn’s FCOI policy or the Federal Demonstration Partnership’s (FDP) FCOI policy.\textsuperscript{16}

The previous three audit reports for UPenn for fiscal years 2023, 2022, and 2020 each reported no findings in questioned costs relating to federal awards. Further, all three disclosed no material weaknesses or significant deficiencies in internal controls.\textsuperscript{17} Considering foreign sub-awards are higher risk areas for potential audit testing, this is a confident indication that UPenn has strong internal controls policies surrounding foreign sub-recipient risk assessment and monitoring that administrators are properly carrying out.

\textbf{6.4. Project Result 4.}

The next institution assessed was The University of Michigan, Ann Arbor (U-M). The University of Michigan ranks fourth on the list of R1 institutions ranked by federal expenditures with $1.77 billion in fiscal year 2022. Like JHU and UPenn, U-M also had clean single audit reports for each of the past three fiscal years.

The University of Michigan’s foreign sub-recipient assessment and monitoring procedures are standard and do not deviate from Federal requirements.\textsuperscript{18} It did have a significant section of its website dedicated to education on activities applicable to export

\textsuperscript{16}FCOI Procedures - PHS Subawards from Penn to Other Institutions.
controls, but the information gave no indication that its procedures differentiated beyond what was required.\textsuperscript{19}

The previous three audit reports for U-M for fiscal years 2023, 2022, and 2020 each reported no findings in questioned costs relating to federal awards. Further, all three disclosed no material weaknesses or significant deficiencies in internal controls.\textsuperscript{20} Considering foreign sub-awards are higher risk areas for potential audit testing, this is a confident indication that U-M has strong internal control policies surrounding foreign sub-recipient risk assessment and monitoring that administrators are properly carrying out.

\textbf{6.5. Project Result 5.}

The final institution assessed was The University of Washington, Seattle (UW). UW ranks second on the list of R1 institutions ranked by federal expenditures, with $1.55 billion in fiscal year 2022. Like the University of California, San Francisco, UW's single audit reports disclosed findings related to foreign sub-recipient risk assessment and monitoring.

The University of Washington has a unique practice in the risk assessment and monitoring its foreign sub-recipients. Sub-recipients are required to be assessed for risk and monitored separately at the entity level and at the project level. For example, even if a recipient is determined to be low risk, it could be the case that the project for various

reasons represents elevated risk to UW and thus should be assessed and monitored more stringently on a case by case basis than would otherwise be required of the entity’s assessed risk level.\textsuperscript{21}

Unlike the previous universities assessed, the audits of the University of Washington are contained within the audits of the State of Washington. The 2021 and 2022 audits of the State of Washington disclosed findings that were not relevant to the areas of focus of this project. However, the 2023 single audit did disclose relevant findings.\textsuperscript{22} First, UW “did not have adequate controls over and did not comply with federal requirements to ensure sub-recipients of the Global AIDS Program received required single or program-specific audits.” The university determines this need during its standard risk assessment of sub-recipients, and it was found in one instance that the risk assessment was not properly carried out, and the single audit report of the sub-recipient was not requested or reviewed. Next, UW “did not establish adequate internal controls to ensure payments to contractors and sub-recipients for the Global AIDS program were allowable, properly supported, and within the period of performance.” This finding was found in one instance of 58 samples selected for testing and based on this percentage, the university disagrees that its controls are inadequate.

6.6 Project Result 6.


NIH Final Updated Policy Guidance for Subaward/Consortium Written Agreements

In the September 15, 2023, the NIH made significant changes to its policies for requirements for agreements with foreign subrecipients which aim to mitigate risk and close address shortcomings of the previous version of the policies. This change went into effect on January 1, 2024, and most significantly includes language that requires agreements to include a provision requiring the foreign subrecipient to provide access to copies of all lab notebooks, data, or documentation that supports the research outlined in the progress report.23

Chapter 7. Recommendations and Discussion

7.1. Introduction

Each institution assessed can be considered a model example of proper international sub-recipient risk assessment and compliance. Although some had findings disclosed in their single audit reports, it is remarkable how few findings came about from the body of audits across these institutions over the past three years, considering the volume of federal research expenditures they produce. One pattern that emerged from the sample of institutions assessed is that it appears institutions that were assessed on an individual basis had fewer audit findings than those assessed as part of a larger system, such as an audit of an entire State or State University System. Perhaps audits of larger scope scrutinize their testing samples more closely, or perhaps the individual institutions that received clean audit reports would not have had findings regardless of how closely their transactions were scrutinized. A larger sample of institutions will be needed to draw a definitive conclusion on this apparent pattern. Smaller institutions, such as the Space Telescope Science Institute, can learn much from the examples of the selected institutions.

7.2. Recommendations

7.2.1. Recommendation 1

First, any institution that is adding awards to investigators with foreign affiliations to its grant portfolio, including STScI, will need to publish procedures to include measures it is taking to account for the increased risk of awarding to these investigators. When the awards to foreign investigators are eventually audited, auditors will request
copies of STScI’s procedures with these awards to test if the procedures are being followed and to test if the procedures are compliant with Federal regulations.

7.2.2. Recommendation 2

STScI should follow UW’s example and adopt a risk assessment that assesses risk at the entity level and at the project level. Since astronomy research as a whole tends to be relatively low risk, the project-level assessments can be made on the basis of dollar amount, instead of on the basis the nature of work performed.

7.2.3. Recommendation 3

STScI should request copies of supplemental information from its new investigators including copies of investigator FCOI disclosure, information about their foreign entity affiliation’s accounting systems, audit information, and access to data throughout the course of the project. This information can be stored and tracked as updates to Federal regulations are released.

7.2.4. Recommendation 4

STScI or any other similar institution needs to make improvements to its electronic grants management system to track the new information needed to assess investigator foreign entity affiliation. The first-party systems present in the institutions assessed are fantastic tools but are not going to be realistically implemented in smaller institutions. Maybe smaller institutions can reach out for a license agreement to use the system, but it is more realistic to borrow ideas from these to implement in an existing tracking system.
7.2.5. Recommendation 5

Smaller institutions should not dedicate significant time to developing comprehensive training modules without ensuring that the distribution is in place to make sure the appropriate stakeholders actually utilize the training. The time is best spent developing and publishing the new procedures in an organized, easy-to-find location. In the case of UCSF, we see the results of significant work to develop materials to aid administrators in international recipient risk assessment and monitoring, but the resources are not being viewed enough to justify the clear time investment spent. Small institutions do not have the resources to dedicate to such training if they will go unused.
Chapter 8: Conclusion

This desk review sheds light on the common elements of the best practices for international grant recipient risk assessment of the top performers in the U.S. research community. The scale and volume of individual grants and federal research expenditures that these institutions process on a yearly basis, can make it very difficult and complicated to create policies that are compliant with federal laws and regulations while also remaining relevant and adaptable to the business practices of the individual departments and centers conducting research both on and off campus. The review revealed that procedures must be at least as stringent as what is required by Federal regulations and should only go beyond to the extent that the resources are available at the institution to follow the additional procedures. Further, utilization of the procedures is at least as important as the procedures themselves, and comprehensive resources detailing the procedures are not useful if leadership is not ensuring that the information is being distributed to the necessary personnel and monitored to guarantee that they are being carried out. Unfortunately, research administrators are often tasked with doing more with less, especially in the current environment, where many federal agencies are facing cuts to their available funding. This makes research efforts such as this project especially needed so that the information can be gathered and organized once and leveraged to provide multiple learning opportunities. This way several organizations don’t need to do identical work separately to arrive at the same results. Consequently, research institutions could end up making the same avoidable mistakes that have been made at other institutions previously, resulting in avoidable reputational damage or corrective or legal actions taken against the institution by funding agencies or auditors.
References Cited


Value in the International Space: Examining the Challenges and Barriers on Research Administration International Research Teams. SRA International Blog.


FOREIGN ENTITY RISK ASSESSMENT

Project Documents Outline

UPDATED APRIL 2023

PREPARED BY
Sean LeRoy
Desk Review of R1 University Foreign Entity Risk Assessment and Monitoring Procedures

Johns Hopkins University
Procedures
Findings
University of California, San Francisco
Procedures
Findings
University of Pennsylvania
Procedures
Findings
University of Michigan, Ann Arbor
Procedures
Findings
University of Washington, Seattle
Procedures
Findings
Step by Step Procedures

Organizational Structure for Leadership Implementation

Example Risk Assessment Checklist

Customizable Training Templates
Foreign Entity Risk Assessment and Monitoring Handbook

Quick Reference Guide

Relevant Regulations, Policies and Procedures
Technology Recommendations

JHU SWiFT Evaluation

Key Features

UPenn Research Inventory System Evaluation

Key Features
QUESTIONS?
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Curriculum Vitae

Sean LeRoy received his B.S. in Accounting from Clemson University in 2017. From there, he began his career at Johns Hopkins University in the Research Administration Training Program, where he received broad exposure to the research administration field through rotations working with teams responsible for various roles in the grant life cycle in the Office of Sponsored Projects, Office of Internal Audit, Academic Department, and Central Office of Research Administration. Through the experience gained in the program, he was placed in a Grants and Contracts Analyst role in the JHU Department of Mechanical Engineering, where he supported the department and its faculty in their research operations. In this role, his passion for the work was solidified and contributed to his decision to pursue an M.S. in Research Administration from Johns Hopkins University. Currently, he works as a Grants Administrator at the Space Telescope Science Institute, supporting astronomy and astrophysics research from the sponsor side of research administration.