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Subcontracts and subrecipient monitoring policy

Office of Research Administration and Finance, Northeastern University

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Subcontracts and Subrecipient Monitoring

Purpose:

The purpose of this policy is to define subcontracts, identify roles and responsibilities for those requiring subrecipient monitoring, and provide guidance in fulfilling those responsibilities.

Definitions:

What is a subcontract?

A subcontract is a contractual agreement between NU and a third party organization to perform a portion of a University sponsored project. Similar terms that are commonly used are: subaward, subgrant, subagreement, and pass through. Although these can have slight nuances of meaning, they are all contractual relationships between NU and another institution/organization/corporation.

The purpose of this policy is to define only those contractual relationships that involve transfer to research or programmatic activity to another institution. This policy is not intended to provide guidance on other types of contractual relationships (including consulting agreements) which may occur on sponsored projects. These other types of contracts are vendor relationships and are governed by University procurement policies.

The following grid outlines the key components of subcontracts and vendor relationships and should be used as a guide to proper classification of a contractual relationship.

Subcontract/Subaward	Vendor Agreement
Subawardee services are uniquely designed in response to each project, and not provided commercially.	Vendor provides the goods or services commercially.
Subawardee technical lead is usually a scientific collaborator, or even a co-PI on the Northeastern project.	Vendor operates in a competitive environment.
Subawardee retains rights to intellectual property.	Vendor retains no rights to intellectual property.
Subawardee participates in development and execution of statement of work.	Vendor provides the goods or services ancillary to the operation of the federal program.
Subawardee results are likely to be published in the scientific literature and/or subawardee is likely to be a co-author on a Northeastern publication.	

In some cases it may be difficult to tell the difference between a subcontract and a vendor agreement, but the budget and statement of work will usually provide enough information to make the determination. If you have any questions when preparing a proposal budget, please contact your DSPA preaward grant specialist for assistance. (Please note that it is in the PI's best interests that vendor agreements and subawards be identified in the proposal budget as accurately as possible, since the assessment of indirect costs will be determined by the characteristics of the subcontract at the time it is issued. These and other restrictions are summarized below.)

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Subaward versus Vendor Agreement – What rules and restrictions apply?

Subaward	Vendor Agreement
Requires prior approval of the sponsor, if not originally included in proposal.	Generally does not require prior approval of the sponsor, subject to rebudgeting restrictions imposed on the particular category of cost.
Indirect costs are only assessed on the first \$25,000 of the subaward. No additional indirect costs will be assessed on a subaward during the approved period of the award under which it was issued (e.g., during the 3 year lifespan of an NSF award). However, if there is follow-on funding beyond the originally approved period of the award (e.g., competitive renewal), then indirect costs will again be assessed, on the first \$25,000 of each subaward. It is particularly important to keep this in mind when preparing proposal budgets.	Indirect costs are assessed on entire amount, just as with most other direct costs.
Is exempt from sole-source justification or open-bid requirements (unless issued under a federal contract).	Is subject to sole-source documentation or open-bid requirements
Is subject to federal subrecipient monitoring requirements.	Is not subject to federal subrecipient monitoring requirements.

Guidelines for Subawards and Subrecipient Monitoring:

As a prime recipient and a pass-through entity of Federal awards, Northeastern University is required to monitor the activities of subrecipients. The following is provided to assist faculty and staff in ensuring that subrecipients conduct their portions of research projects in compliance with laws, regulations, and the provisions of awards or subawards; and that project costs incurred by subrecipients are reasonable and allowable.

Governing Requirements:

The requirements for subrecipient monitoring are contained in 31 USC 7502 (f)(2)(B) (Single Audit Act Amendments of 1996 (Pub. L. 104-156)), OMB Circular A-133 (§__.225 and (§__.400 (d)), OMB Circular A-110 (§__.51 (a)), Federal awarding agency program regulations, and the terms and conditions of an award¹.

General Guidelines for Subrecipient Monitoring:

Subrecipient monitoring can take on various forms and is not limited by the practices described below. The OMB Compliance Supplement (1) outlines the following forms of monitoring activity:

- Reporting – Reviewing financial and performance reports submitted by the subrecipient.
- Site Visits – Performing site visits at the subrecipient to review financial and programmatic records and observe operations.
- Regular Contact – Regular contacts with the subrecipients and appropriate inquiries concerning program activities.

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DSPA staff may review all active subcontracts for which monitoring is mandated and may inquire further into those that are deemed to require closer scrutiny in light of considerations such as:

- Size of the subrecipient award. Other factors being equal, large awards (for example, with annual budgets >\$500K) may receive more substantial and/or more frequent review and monitoring; mid-sized awards (annual budget \$100K-\$500K) may receive proportionately less substantial and less frequent monitoring; smaller awards (<\$100K) may receive general review with the least frequent oversight.
- Award size relative to the subrecipient's sponsored research portfolio.
- Percentage passed through: the larger the percentage of program award passed through, the greater the need for subrecipient monitoring.
- Award complexity, sensitivity of the work and/or extensiveness of the governing regulations.
- Prior experience with the subrecipient, e.g. a new subrecipient, an inexperienced subrecipient, a history of non-compliance, having new personnel, or having new or substantially changed systems.
- Subrecipient location or for-profit status (remoteness from Northeastern University may mandate more oversight); increased risk associated with some foreign and for-profit subrecipients dictates that they might merit a greater degree of review, evaluation and attention.
- Degree of external oversight by auditors or sponsoring agencies. Note that Northeastern is obligated to monitor subrecipients of its federal awards, regardless of the subrecipients being subject to A-133 audits.
- Sophistication of the subrecipient's systems and administrative operations.

Upon identification of subrecipients that mandate closer scrutiny, based on the above review criteria, DSPA will take appropriate monitoring actions to ensure compliance with subagreement performance, financial terms and conditions, and with all applicable federal rules and regulations.

In addition to routine monitoring procedures, DSPA staff will work with PIs and department administrators to establish channels of communication with subrecipients that require further scrutiny. Administrators at such subrecipient sites may be asked to complete questionnaires (to be filed at Northeastern) documenting their internal controls and grants management procedures. In addition, subrecipients that are not subject to A-133 may be asked to submit supporting documentation in the form of original receipts, copies of payroll records, audits, etc. if circumstances warrant.

The University will not normally permit 2nd tier subcontracting arrangements (a subcontract issued by one of our subcontractors). If, in the event of an unusual circumstance where the need for a 2nd tier subcontract is identified, the arrangement must be approved by the Director of Sponsored Research Administration.

Subcontracts and Subrecipient Monitoring

Roles and Responsibilities

Principal Investigator (PI):

It is the responsibility of the Principal Investigator to:

- Ensure compliance with the policy for Subrecipient Monitoring.
- Make initial determination as to whether a subrecipient or vendor relationship exists.
- Identify subawards/subcontract programmatic activity in separate statements of work, letters of intent and budgets in the original proposal.
- Complete and sign a Subcontract Request Form (attached) to authorize the initiation of the subcontract.
- Determine the frequency and scope for monitoring programmatic activities of a subrecipient, to include regular contact with the subrecipient.
- Ensure subrecipients comply with the technical provisions of the subaward.
- Ensure that department personnel involved in financial administration of sponsored projects are familiar with the policy for Subrecipient Monitoring.
- Monitor awards to ensure that costs are appropriate, approved and accumulated in the accounting system.
- Ensure all required subrecipient programmatic reporting is current.
- Approve all sub recipient invoices in consultation with the individual who is aware of the costs incurred in relation to the work performed on the subcontract. The PI must sign all subrecipient invoices and forward to DSPA for receiving and transmittal to Accounts Payable.
- Keep detailed records of communications regarding unsatisfactory performance by the subrecipient.
- Determine when a subaward is to be amended. Common reasons for amending a subaward include providing additional funding, extending the period of performance, or modifying the reporting schedule. Some changes, such as scope-of-work changes, change in the subaward recipient's principal investigator or transferring the subaward from one recipient to another, may require the prior approval of the prime sponsor. Contact your DSPA grants specialist for guidance and assistance with agency approvals.

Division of Sponsored Projects Administration:

It is the responsibility of the Division of Sponsored Projects Administration to:

- Verify whether a subrecipient or vendor relationship exists.
- Review proposals prior to submission to assure that subaward (subcontract) arrangements are appropriately budgeted in the prime award (separate statement of work, letter of intent and budget).
- Ensure appropriate flow down requirements are included in the subaward (subcontract) agreement.
- Upon request, advise PIs, divisional administrators and central administrative departments of flow down requirements from prime award to subaward (subcontract) agreements.
- Ensure that subrecipients meet the audit requirements of A-133.

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- Review A-133 reports for subrecipients expending \$500,000 or more in Federal awards during a fiscal year. This can be performed with the reports filed with the single audit clearinghouse or by obtaining an annual certification by the subrecipients for compliance with A-133.
- Where findings exist, follow up to ascertain if the Northeastern award is impacted.
- Review that the corrective action cited by subrecipients in response to their audit findings is timely and appropriate.
- Obtain completed/signed “Subcontract Request Form” from PI.
- Draft appropriate subaward document and forward to collaborating institution
- Negotiate, in conjunction with University Counsel, changes requested by collaborating institution.
- After signature by collaborating institution obtain signature of NU authorized official to fully execute the subaward.
- Process requisition/purchase order on NU purchasing system
- Receive and perform desk review of invoices from subawardee. Forward invoices to PI for approval.
- After PI approval receive invoice in purchasing system and forward invoice to Accounts Payable.

1. OMB Circular A-133, Appendix B Compliance Supplement – M. Subrecipient Monitoring, Compliance Requirements, Source of Governing Requirements.

**NORTHEASTERN UNIVERSITY
DIVISION OF SPONSORED PROJECT ADMINISTRATION
405 LAKE HALL
Subcontract Request Form**

Please provide the information requested below and attach the following:

1. Subcontractors Statement of Work
2. Subcontractors Budget

The completed request must be signed by Northeastern University's Principal Investigator and returned to the Division of Sponsored Project Administration, 405 Lake Hall.

1. Request to Issue: _____ P.O. # _____

- Subcontract _____
- Amendment to Subcontract No. _____
- Termination of Subcontract No. _____

Please complete the following information:

Subcontractor

Prime Sponsor

Northeastern Principal Investigator

Prime Grant or Contract Number

Subcontract/Amendment Amount

Northeastern Budget Number

Subcontract/Amendment Period of Performance

Prime Grant/Contract Period of Performance

Subcontractor Address, Contact Person, and telephone Number:

Northeastern University Project Title:

Reason for termination of Subcontract:

Completion or Sole Source Justification (Complete either Section A or B)

A. Completion (Attach separate sheet if necessary)

- 1. Name and address of each potential subcontractor contacted**

- 2. Name and amount proposed by each potential subcontractor responding**

- 3. Subcontractor selected**

- 4. Reason for selection**

B. Sole Source Justification

Provide justification for selection of subcontractor if competitive bids were not solicited
(Attach separate sheet if additional space is needed)

By signing below I certify that I have read the following statements and certify that they are accurate and trustful to the best of my knowledge and belief.

As Principal Investigator I certify that:

These services are essential and cannot be provided by persons currently employed by Northeastern University and/or the physical capabilities do not exist at the University to perform the proscribed tasks.

The project or relationship with this subcontractor (check one) ___ does or ___ does not present a potential for a conflict of interest or the appearance of a conflict for investigators so involved have provided complete disclosure of this matter as instructed by current University policy and/or Federal Regulations.

*The Subcontractor's proposed costs have been reviewed and are reasonable for the technical effort proposed.
Funding is available for this subcontract and is an allowable cost under the terms and conditions of the Prime Award.*

Signature

Date