

Princeton University

Office of Research & Project Administration (ORPA)

Standard Operating Procedures

Procedure Title: Subaward Procedures
Related Policy Title: Subaward Policy
Responsible Executives: Elizabeth H. Adams, Executive Director, ORPA
Responsible Offices: Office of Research and Project Administration (ORPA)
Contact: Maria H. Mendes Hartstein, Subcontracts Manager, ORPA
Effective Date: December 1, 2024

I.

PROCEDURE STATEMENT

In accordance with the University Subaward Policy, programmatic subawards under externally funded sponsored programs must be initiated, monitored, modified, and closed by ORPA in partnership with other key/responsible parties at the University.

This procedure contains the following items:

- Proposal procedures for subrecipient engagement and participation
- Award procedures for subaward initiation, monitoring, and closeout
- Subaward risk assessment and mitigation, which occurs at proposal stage and throughout the lifecycle of the subaward
- Roles and responsibilities of the various key University departments with respect to subawards and subrecipient monitoring

In particular, key/responsible parties must monitor subrecipients' activities in order to provide reasonable assurance that subrecipients demonstrate appropriate technical progress on their projects and administer subaward funding in compliance with subaward terms and sponsor requirements.

II.

WHO IS AFFECTED BY THIS PROCEDURE

This procedure applies to all programmatic subawards issued under sponsored programs. It should be understood by Principal Investigators (PIs), Grant Managers, Department Managers, Department Chairs, Sponsored Research Accounting (SRA), and the Office of Research and Project

Administration (ORPA), as well as other units at the University engaged with sponsored programs, or issuing agreements/providing funding representing programmatic responsibility to third parties under University research programs.

III.

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IV.

DEFINITIONS

University Indirect Cost Rate (IDC) – The rate (e.g., applied under its IDC agreement with the federal government or prescribed by the sponsor/solicitation) that the University charges to sponsored program awards, enabling the University to recover allowable facilities and administrative (overhead) costs as a proportion of all or some direct costs.

Modified Total Direct Costs (MTDC) – Indirect Cost Rates are typically calculated against a Modified Total Direct Cost (MTDC) base. The MTDC base of a pass-through entity includes subawards generally up to the first \$25,000 of each individual subaward participating on a single sponsored program. Specifically excluded from this MTDC base is the remaining portion of each individual subaward in excess of \$25,000 (e.g., in the case of a subaward for \$35,000, \$10,000 would be excluded from application of the University Indirect Cost Rate on the administration of the subaward).

Pass-Through Entity (PTE) – An entity that provides a subaward to a subrecipient to carry out programmatic responsibility under a sponsored program.

PeopleSoft Financials (PS) – The system that supports the financial business functions of the University including procurement, payables, general ledger budget preparation, and financial reporting.

PeopleSoft Prime (Prime) – University sponsored programs management database for financial administration of awards and outgoing subawards.

Princeton ERA (ERA) – University sponsored programs management database for administration of sponsored projects and programs proposals and agreements, including subaward initiation and modification.

Subaward/Subcontract – A formal written agreement made between the University and a subrecipient in order for the subrecipient to perform a programmatic portion of the University’s scope of work under a sponsored program that incorporates the sponsored award terms and conditions.

Subrecipient – A subrecipient is a non-prime-sponsor entity that expends awards received from the University as a pass-through entity in order to carry out a programmatic portion of the University’s responsibilities under a sponsored program. A subrecipient may be, for example, a domestic or foreign educational institution, a for-profit corporation, or a non-profit organization. An individual cannot serve as a subrecipient, though an individual’s company (or a start-up company) may be able to serve as a subrecipient.

Subrecipient Indirect Cost Rate – The subrecipient’s rate indirect cost rate, which may be negotiated with the federal government/the University or prescribed by the sponsor/solicitation, is charged to sponsored research awards in order to recover the allowable facilities and administrative (overhead) costs as a proportion of all or some of its direct costs under a subaward. A subrecipient is expected to apply its own federally negotiated Indirect Cost Rate when preparing the subrecipient budget. If a subrecipient does not have a federally negotiated rate, a de minimis cost rate of 10% or 15% of modified direct costs (MTDC) may be applied to the subaward. The subrecipient may alternatively negotiate a rate with Princeton University, elect not to charge an indirect cost rate, or be required to apply a sponsor imposed rate under a particular research/funding program.

Total Direct Costs (TDC) – Indirect Cost Rates applied to all direct cost line items, typically used when an awardee/subawardee is recovering less than their full, federally-negotiated rates under non-federal sponsored programs. There are no exclusions.

V.

[LINK TO RELATED SUBAWARD POLICY](#)

These procedures support and are consistent with ORPA’s subaward policy.

VI.

[PROCEDURES](#)

PROPOSAL PREPARATION:

The PI, department administrator and ORPA may work together at proposal stage to ensure that sponsored program applications are appropriately prepared that anticipate and document the role

of any subrecipients. The following steps are to be completed during the proposal preparation process:

1. The PI must determine the need for subrecipient participation in the proposed project that will be submitted to the sponsor. In order to make this determination, the PI is responsible for shaping and assessing the scope of work of the subrecipient and completing the Subrecipient/Contractor Classification Form. The form must be signed by the PI and submitted in Princeton ERA at the time of requesting initiation of the subaward agreement.
2. The PI must select a subrecipient based upon the PI's assessment of the subrecipient's ability to perform the proposed work successfully. This assessment may include, in partnership with the department administrator and ORPA, an analysis of the subrecipient's past performance, technical resources, financial viability, ability to comply with sponsor and subcontract requirements and reasonableness of the subrecipient's proposed costs in relation to the work to be performed.
3. The PI and department administrator must obtain, at a minimum, the following items from each proposed subrecipient prior to proposal submission to the sponsor.
 - a) Subrecipient's Statement of Work, including a clear description of the work to be performed and/or schedule of deliverables.
 - b) Subrecipient's Budget and Budget Justification, including the breakdown of Subrecipient's direct and indirect costs, calculated using the Subrecipient's direct and indirect costs, including the basis for the subrecipient's Indirect Cost Rate. The budget must include any mandatory committed cost sharing that may be required by the sponsor.
 - c) A Subrecipient Statement of Collaborative Intent form completed and signed by the Subrecipient's organizational or institutional official.
 - d) If the PI/ORPA anticipates issuing a Fixed Price subaward to the subrecipient, the PI should include a Subaward Approval Justification Statement of Fixed Price Subawards in the Budget Justification of the proposal.
4. A budget must be prepared in Princeton ERA that includes each subrecipient budget details/breakdown/amount.
5. The appropriate indirect cost rate must be applied in the University budget relative to Princeton's administration of the subaward in accordance with the University's Indirect Cost Rate Agreement using the appropriate MTDC or TDC rate base.
6. The department administrator must include all subrecipient documentation (including all materials institutionally-endorsed by the subrecipient) in Princeton ERA for ORPA approval prior to submitting the proposal to the sponsor.

SUBAWARD INITIATION:

The following steps must be completed in order to initiate a subaward under a sponsored program at the University:

1. Upon receiving a sponsored program that includes a subaward, the PI and department administrator must determine the subaward period of performance. The period of performance for any subaward may not be outside the University's sponsored program's

period of performance. However, subawards may be issued for a shorter period of performance than the University's sponsored award.

2. For subawards which were not included in the original proposal, the PI and department administrator must obtain the documents referenced in Section 3 of the Proposal Preparation section above.
3. If the sponsor's prior approval is required in order to initiate a subaward that was not included in the original proposal, the PI and department administrator will coordinate the request for sponsor approval of the subaward through ORPA. Subawards requiring advanced sponsor approval may not be issued until sponsor approval is officially received.
4. In order to initiate the subaward, the department administrator must submit the following information to the ORPA Subaward Administrator by requesting the subaward in the Princeton ERA system:
 - a) Subaward Initiation Form;
 - b) All documentation referred to in Section 3 of the Proposal Preparation section above,
 - c) Any subrecipient documentation modified from the original proposal, including a modified statement of work or budget/budget justification endorsed by the subrecipient (i.e., due to a budget reduction from the sponsor);
 - d) If a subrecipient does not receive an annual audit in accordance with the Office of Management and Budget Single Audit requirements, then the subrecipient's completed Subrecipient Financial Status Questionnaire must be provided, including audited or unaudited financial statements/records;
 - e) Copies of the subrecipient's Institutional Review Board (IRB) and/or Institutional Animal Care and Use Committee (IACUC) protocol approval letter, if applicable; and
 - f) University Sole Source Justification Form for subcontracts issued under a federal contract award instrument.
5. The ORPA subcontracts administrator will review all documentation and consult with the department Administrator or PI, as needed, to clarify expectations of the subrecipient including reporting and compliance requirements or other documentation associated with the risk assessment of the subrecipient, before the ORPA subcontracts administrator issues the subaward agreement.
6. The ORPA subcontracts administrator will keep the PI and department administrator apprised as to any negotiation of the subaward and request input as needed.
7. At the time of full execution of the subaward agreement, the ORPA subcontracts administrator will provide a copy of the agreement to the department administrator and to the PI. The agreement will also be retained and accessible in the Princeton ERA system.
8. The ORPA subcontracts administrator will report each subaward grant or contract, as applicable, in the FSRs system in compliance with the Federal Funding Accountability and Transparency Act (FFATA). The report will capture and report subaward and executive compensation data regarding first-tier subawards/subcontracts in excess of \$30,000. By the end of the month following the month in which the subaward grant or contract is fully executed, the ORPA subcontracts administrator will report in FFATA such initiation actions that exceed the \$30,000 reporting requirement.

9. The ORPA subcontracts administrator will encumber the subaward line items by initiating a Purchase Order in PeopleSoft in order to allow the department administrator to appropriately budget and forecast the overall award.

RISK ASSESSMENT:

The University will perform an entity and project risk assessment in order to evaluate the likelihood that a subrecipient will be able to comply with the requirements of the subaward agreement. This risk assessment is generally completed by the ORPA subcontracts administrator prior to the issuance of the subaward agreement. Several criteria are used in evaluating risk including, but not limited to, the University's prior experience with the subrecipient, the results of subrecipient's previous audits including whether or not the subrecipient receives a Single Audit and the extent to which the same or similar subaward has been audited as a major program, the extent and results of Federal awarding agency monitoring, the nature and complexity of the subrecipient's scope of work, the fiscal maturity of the subrecipient as well as its ability to comply with applicable federal requirements (under federal sponsored programs).

Low-Risk vs High Risk:

Low-Risk subrecipients typically include, but are not limited to, R1 research institutions and Federal Demonstration Partnership members. Typically, these subrecipients are U.S.-based organizations that are very experienced with the management of federal sponsored programs and that receive an Office of Management and Budget Single Audit. The vast majority of these subrecipient entities have current annual single audits containing "unmodified" opinions on their financial statements and do not have findings related to Princeton subawards.

High-Risk Subrecipients may include entities which are not required to complete annual single audits or whose financial statements/records demonstrate weaknesses in administering federal or non-federal funding, have a history of failing to adhere to applicable provisions of research agreements, and/or have weak/immature/unproven internal financial or non-financial control structures, have identified conflicts of interest or may have difficulty complying with subcontract/sponsor terms. Start-up or foreign based entities with limited resources and/or little to no experience in performing or administering research projects are generally also considered High-Risk Subrecipients.

Risk Analysis Process:

Financial Audit Report Review

The ORPA subcontracts administrator will review the subrecipient's single audit report or the Subrecipient Financial Status Questionnaire (FSQ) and financial records. If any concerns arise from the financial audit report or FSQ review, the ORPA subcontracts administrator will determine if the concerns rise to the level of a high-risk determination. If based on the assessment, there are findings related to Princeton subawards, the ORPA subcontracts administrator will consider corrective action, as necessary (see below for further information on corrective action). Once the evaluation is completed and the risk has been considered acceptable or mitigated, the subaward agreement can be issued.

Restricted Party Screening

ORPA performs an automated Restricted Party Screening using [Visual Compliance](#) for subrecipient entities and individual participants, including foreign subrecipients, listed in the proposal. For any subrecipients not listed or for subawards issued to subrecipients approved after the original proposal is awarded, the ORPA subcontracts administrator may perform Restricted Party Screening using Visual Compliance at the time of issuing the subaward. This screening is performed to ensure that the University is sensitive to any entities included on the federal government's Restricted Party lists, and may act accordingly.

Corrective Actions for High-Risk Subrecipients:

When the ORPA subcontracts administrator categorizes a subrecipient as "High-Risk", the ORPA subcontracts administrator will work with the PI, department administrator and the ORPA Executive Director to ascertain whether or not a subaward may be issued, what special terms and conditions may be included in the subaward agreement, and what additional monitoring and oversight requirements may be necessary to adequately reduce risk to the project and the University. Some of these additional monitoring requirements to mitigate risk may include, more frequent reporting, shorter periods of performance, smaller funding allocations, more detailed financial invoices, required financial backup documentation, a conflict of interest management plan, or the issuance of a fixed price subaward.

Consistent with federal regulations, the ORPA subcontracts administrator is responsible for including adequate terms and conditions and making adequate arrangements to mitigate the additional risk to the project and the University before issuing or continuing subawards to High-Risk subrecipients.

SUBAWARD AMENDMENTS:

The PI or department administrator must submit a Subaward Amendment form to the ORPA subcontracts administrator in order to modify an existing subaward agreement. Amendments may be issued for a variety of circumstances, including but not limited to, statement of work modifications, the addition of terms and conditions, incremental funding, de-obligation of funding, no-cost extensions, or early terminations.

The ORPA subcontracts administrator will issue an amendment to the subaward agreement as a unilateral or bilateral amendment in order for an amendment to be considered official. For amendments requiring incremental funding, the ORPA subcontracts administrator will complete an project risk assessment review to determine if the subrecipient's risk status has changed. The ORPA subcontracts administrator will also complete a project risk assessment on an annual basis by reviewing the Subrecipient's Single Audit report, and if the subrecipient does not have a single audit report, the ORPA subcontracts administrator or department administrator will request that the subrecipient complete a new Subrecipient Financial Status Questionnaire and provide up to date financial statements/records. If a subrecipient's risk assessment status change from Low-Risk to High-Risk, the ORPA subcontracts administrator will follow the procedures for Special Actions for High-Risk subrecipients.

The ORPA Subcontract Administrator will report in the FFATA system all subaward/subcontract amendment transactions once the total of transactions (subaward initiation and any subsequent modifications) exceeds the reporting requirement of \$30,000 in obligated funding, and will continue to report all obligation and de-obligation amounts thereafter in the FFATA system until the subaward expires.

SUBRECIPIENT MONITORING:

The University is responsible throughout the life of the subaward to monitor the activities of subrecipients to ensure that the subaward is being managed consistent with authorized purposes, in compliance with Federal Statutes, regulations, as applicable, and the terms and conditions of the subaward, and that the subrecipient's technical progress is demonstrated/ performance goals are achieved. As part of its monitoring process, the ORPA subcontracts administrator may review subrecipient's financial and performance reports, follow up and ensure that subrecipient takes timely and appropriate action on all deficiencies pertaining to the award detected through audits, on-site reviews, and other means, or issues management decisions on audit findings in accordance with Uniform Guidance, 2 CFR 200.521, as required. The PI and department administrator should jointly determine the frequency and scope of departmental monitoring procedures. A "riskbased" approach to subrecipient monitoring is recommended with the frequency and intensity of monitoring driven by the terms of the prime sponsor award. PIs are responsible for regularly monitoring the technical progress of the subrecipients using a variety of means to make this determination. The PI might receive informal progress reports via phone conversations, e-mail communications, face-to-face discussions, or more formal written technical reports or other deliverables with specific due dates.

INVOICE PROCESSING:

The following steps must be completed in order to remit payment on a subrecipient invoice:

1. The ORPA subcontracts administrator will perform an initial desk review of each subrecipient invoice to ensure the invoice is administratively and financially correct. Subrecipient invoices (issued under a cost reimbursable subaward agreement) submitted to ORPA must contain, at a minimum, the following information:
 - Name of Subrecipient
 - Subaward Number
 - Date of Invoice
 - Invoice Number
 - Period of Performance covered by the invoice (must be within subaward agreement period)
 - Major expenditure categories*
 - Current period costs, including cost sharing, if applicable
 - Cumulative costs to-date, including cost sharing, if applicable (must be within the remaining obligated funding amount defined in subaward agreement)
 - Certification as to the truth and accuracy of the costs invoices*

(Fixed Price subaward agreement invoices follow a designated payment schedule and do not require a detailed breakdown of the major expenditure categories. Fixed Price

subaward agreements issued with federal funding require certification compliant with Uniform Guidance, 2 CFR 200.201(b)(3).

2. Upon completing the desk review, the ORPA subcontracts administrator will route the invoice to PI or PI Designee to review and approve or reject the subrecipient invoice using PeopleSoft. A Prime Quick Approval Guide for the PI and PI Designee outlines how to view, approve or reject invoices.
3. PIs or PI Designees are responsible for reviewing and approving invoices from subrecipients for adherence to the budget and assurance of technical progress. PI or PI Designees approval indicates that the review has been completed, the invoice adheres to the budget, and the technical progress to-date is acceptable.
4. If any invoice changes are required or the PI or PI Designee rejects the invoice, the ORPA subcontracts administrator will receive an email notification via PeopleSoft. The ORPA subcontracts administrator will coordinate with the PI or PI Designee and the subrecipient in order to resolve any outstanding issues.
5. Invoices approved by the PI or PI Designee will route to Accounts Payable to remit payment to subrecipient.

SUBAWARD CLOSEOUT:

The ORPA subcontracts administrator, in collaboration with the department administrator, will begin the closeout process towards the conclusion of the period of performance as defined in the subaward agreement. A subaward may not be formally closed until the following tasks have been accomplished:

- Receipt, approval, and payment of final invoice (including all required certifications)
- Collection of all required technical deliverables and reports as document by the PI in the Subaward Closeout form

The requirements of the University's prime sponsored award, under which the subaward is issued, will be considered during the closeout process. In general, a subaward is considered closed when it has expired, the final technical deliverables are received, and financial matters are resolved.

VII.



The subaward forms related to this Subaward Procedure Statement can be found at the ORPA website – Forms & Tools by Category

Subaward Initiation form

Subaward Amendment form

Subrecipient Statement of Collaborative Intent form

Subrecipient/Contractor Classification form

Subrecipient Financial Status Questionnaire form

Subrecipient Sole Source Justification and Cost Price Analysis form

Principal Investigator Designee form

VIII.

SUBAWARD ROLES AND RESPONSIBILITIES

| Roles and Responsibilities | PI | Dept. Administrator | ORPA / ORPA Subcontracts Administrator | Accounts Payable |
|---|----|---------------------|--|------------------|
| Determine the need for subrecipient participation in research; complete Subrecipient/Contractor Classification form | X | | | |
| Obtain subrecipient documentation for initiation and amendments | X | X | | |
| Prepare Princeton ERA proposal and obtain proposal approvals | | X | | |
| Determine Subrecipient Period of Performance | X | X | | |
| Submit Initiation or modification request to ORPA in Princeton ERA along with all necessary subaward documentation | | X | | |
| Execute and Amend subaward agreement | | | X | |
| Obtain sponsor related approvals | | | X | |
| Create Purchase Order | | | X | |
| perform risk assessment/monitor subaward performance; | | | X | |
| Approve subrecipient invoices | X | | | |
| Pay subaward invoices | | | | X |
| Confirm receipt of final technical deliverables | X | | | |
| Closeout Subaward (and PO) | | | X | |

IX.

UPDATE LOG

| Effective Date | Revision Date | Authors | Description |
|----------------|---------------|---------|-------------|
|----------------|---------------|---------|-------------|

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|-------------|-------------------|-----------------|---|
| May 1, 2009 | | Francine Taylor | Creation of Procedures Document |
| | July 1, 2015 | Maria Hartstein | Updated to reflect change in procedures post Uniform Guidance implementation |
| | July 1, 2023 | Maria Hartstein | Updated to include system name changes; Risk Assessment changes; Roles and Responsibilities changes |
| | December 31, 2024 | Maria Hartstein | Updated to include UG 10/20/2024 changes and supplement procedures with FFATA requirements. |