



Office of Research and Project
Administration

Procedure

Subawards

Procedure Title:	Subaward Procedures
Related Policy Title:	Subaward Policy
Policy Section:	Sponsored Research Responsible Executives: Elizabeth Adams, Director, ORPA
Responsible Offices:	Office of Research & Project Administration (ORPA)
Contact:	Elizabeth Adams, Director, ORPA, awards@princeton.edu or 258-3090
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I. PROCEDURE STATEMENT

In accordance with the University [Subaward Policy](#), subawards issued by the University must be initiated, monitored, modified, and closed by ORPA when the subaward is issued under an externally-funded sponsored project or program. The University must monitor the subrecipients' activities in order to provide reasonable assurance that subrecipients administer subaward funding in compliance with sponsor requirements.

This procedure contains the following items:

- Proposal procedures for subrecipient participation
- Award procedures for subaward initiation, monitoring, and closeout
- Risk assessment and mitigation
- Roles and responsibilities of the various university departments and offices with respect to subawards and subrecipient monitoring

II. WHO IS AFFECTED BY THIS PROCEDURE

This procedure applies to all sponsored projects and 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).

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IV. DEFINITIONS

Coeus – University grants management database for administering proposals

Facilities and Administrative (F&A) Rate - The rate negotiated with the federal government that is charged to sponsored research awards in order to recover the allowable F&A (overhead) costs associated with conducting organized research; often referred to as (and synonymous with) the indirect cost rate.

Modified Total Direct Costs (MTDC) – Federal F&A costs are calculated against a Modified Total Direct Cost (MTDC) base. The MTDC base includes subawards up to the first \$25,000 of each individual subaward participating on a singled sponsored project or program. Specifically excluded from the MTDC base is the remaining portion of each individual subaward in excess of \$25,000 (*e.g.*, \$10,000 would be excluded from University F&A for a subaward of \$35,000).

Pass-through entity – An entity that provides a subaward to a subrecipient to carry out part of a Federal 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 – University grants management database for administering awards and subawards.

Subaward – A formal written agreement made between the University and a Subrecipient in order for the subrecipient to perform a portion of the University’s scope of work under a sponsored project or 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 portion of the University’s programmatic effort under a sponsored project or program. The subrecipient may be a domestic or foreign educational institution, for-

profit corporation, or non-profit organization. An individual cannot serve as a Subrecipient.

Subrecipient Facilities and Administrative (F&A) Rate – The subrecipient’s rate negotiated with the federal government that is charged to sponsored research awards in order to recover the allowable F&A (overhead) costs associated with conducting organized research; often referred to as (and synonymous with) the indirect cost rate. A subrecipient is expected to apply its own federally-negotiated F&A rate when preparing the subrecipient budget. If a subrecipient does not have a federally negotiated rate, a de minimis cost rate of 10% of modified direct costs (MTDC) may be applied to the subaward, unless the sponsor imposes an F&A rate limitation.

Total Direct Costs (TDC) – F&A rates are applied to all items when using this base. There are no exclusions.

V. LINK TO RELATED POLICY AND PROCEDURES

Subaward Policy

VI. PROCEDURES

PROPOSAL PREPARATION

The following steps must be completed during the proposal preparation process:

1. The PI must determine the need for subrecipient participation in the proposed scope of work that will be submitted to the sponsor. In order to make this determination, the PI is responsible for completing the Subaward Classification form. The form must be signed by the PI and provided to the Subaward Administrator.
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 an analysis of the subrecipient’s past performance, technical resources, financial viability, 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 subrecipient prior to proposal submission to the sponsor:
 - a. **Subrecipient’s Statement of Work**, including a clear description of the work to be performed, the proposed timelines and deliverables.
 - b. **Subrecipient’s Budget and Budget Justification**, including the breakdown of Subrecipient’s direct and indirect costs, calculated using the Subrecipient’s F&A rate or de minimis rate. The budget must include any mandatory committed cost sharing that may be required by the sponsor.
 - c. A **Subrecipient Commitment Form** completed and signed by the Subrecipient’s institutional official.
 - d. If the subrecipient chosen by the PI is a foreign subrecipient and requires a fixed price subaward, then a **Subaward Approval Justification Statement for Fixed Price Subawards** must be included in the proposal.
 - e. If a subrecipient does not receive an annual audit in accordance with the **Office of Management and Budget Single Audit requirements**, then the subrecipient must complete the **Subrecipient Financial Status Questionnaire**.

4. A detailed budget must be prepared in Coeus that includes each subrecipient budget amount. The appropriate F&A rate must be applied in accordance with the University's F&A rate agreement using the appropriate MTDC or TDC rate base.
5. The department administrator must include all subrecipient documentation in Coeus and obtain 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 University sponsored award:

1. Upon receiving a sponsored award 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 of the University's sponsored award's period of performance. However, subawards may be issued for a smaller 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 Paragraph 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 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:
 - a. Subaward Initiation Form,
 - b. All documentation referred to in Paragraph 3 of the Proposal Preparation section above,
 - c. Any modified subrecipient documentation submitted in the original proposal, including a modified statement of work or budget,
 - d. Copies of the subrecipient's Institutional Review Board (IRB) and/or Institutional Animal Care and Use Committee (IACUC) protocol approval letters (if applicable),
 - e. A University Sole Source Justification Form for all subawards issued under a federal contract award instrument, versus a federal grant or cooperative agreement award instrument
5. The ORPA Subaward Administrator will review all documentation and consult with the PI as needed to clarify reporting requirements or other subrecipient documentation before ORPA issues the subaward agreement.
6. Once a fully executed subaward agreement is in place, ORPA will provide copies to the department administrator and to the PI, upon request.
7. ORPA 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 is required to perform a risk assessment in order to evaluate the likelihood that a subrecipient will fail to comply with the requirements of the subaward agreement. This risk assessment is handled by the ORPA Subaward Administrator prior to the issuance of the subaward agreement. Several criteria are used in evaluating risk, including 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 proposed project or program, and the fiscal maturity of the subrecipient.

Low-Risk Versus High-Risk

Low-risk subrecipients comprise the vast majority of the University's subrecipients. These entities have current annual single audits containing "unqualified" opinions on their financial statements which have no reported material weaknesses in their internal controls. Typically, these subrecipients are U.S.-based organizations and receive an Office of Management and Budget Single Audit.

High-risk subrecipients are entities which have not completed annual single audits or whose audit results have demonstrated weaknesses in administering federal funding, a history of failing to adhere to applicable provisions of research agreements, and/or weak internal control structures.

Small start-up or foreign-based entities with limited resources and little or no prior experience in performing research may be considered low or high risk subrecipients based upon ORPA's subrecipient risk assessment criteria, however, these entities will be designated as High Risk subrecipients in order to mitigate the risk associated with issuing subawards to such entities.

Risk Analysis Process

Financial Audit Report Review

ORPA will review the subrecipient's single audit report or the Subrecipient Financial Status Questionnaire. If concerns arise from the financial audit report review, ORPA will evaluate subrecipient corrective actions cited in response to audit findings and/or communicate reassurance of compliance for the handling of federal funding. Once the evaluation is complete and risk has been considered acceptable or mitigated, the subaward agreement can be issued.

Restricted Party Screening

ORPA will perform a **Restricted Party Screening** using Visual Compliance for all subrecipients, including foreign subrecipient entities. This screening will ensure the University does not remit payment to any entities included on the federal government's **Restricted Party** lists.

Special Actions for High-Risk Subrecipients

When ORPA has categorized a subrecipient as "high-risk," ORPA will work with the PI and the ORPA Director to ascertain whether or not a subaward should be issued, what special terms and conditions should be included in the subaward agreement, and what additional oversight requirements will be necessary to adequately monitor the subaward. Some of these additional monitoring requirements in order to mitigate risk may include more frequent reporting, shorter periods of performance, smaller funding allocations, more

detailed financial invoices, required financial backup documentation, or the issuance of a firm, fixed price subaward agreement versus a cost reimbursement subaward agreement.

ORPA is responsible for ensuring that adequate arrangements are in place to mitigate the additional risk to the University before issuing or continuing subawards with high-risk subrecipients.

SUBAWARD MODIFICATIONS

The PI or department administrator must submit a Subaward Modification Form to the ORPA Subaward Administrator in order to modify an existing subaward agreement. Modifications may be issued for a variety of circumstances, including statement of work modifications, incremental funding, de-obligation of funding, no-cost extensions, or early terminations.

ORPA will issue all modifications to the subrecipient in order for a modification to a subaward agreement to be considered official. For modifications requiring incremental funding, ORPA will complete a full risk assessment review to determine if there is any change in the subrecipient's risk status. For entities receiving an Office of Management and Budget Single Audit, ORPA will review a copy of the latest single audit report. For entities that do not receive a Single Audit, ORPA will request that the subrecipient complete a new Subrecipient Financial Status Questionnaire. If a subrecipient's risk assessment status changes to High Risk, ORPA will follow the procedures for Special Actions for High Risk Subrecipients.

SUBRECIPIENT MONITORING

The University has the responsibility throughout the life of the subaward to monitor the activities of subrecipients in accordance with the subaward agreement, to ensure that the subaward is used for authorized purposes, in compliance with Federal Statutes, regulations, and the terms and conditions of the subaward, and that the subaward performance goals are achieved. As part of its monitoring process, ORPA may review subrecipient's financial and performance reports, follow up and ensure that the subrecipient takes timely and appropriate action on all deficiencies pertaining to the award detected through audits, on-site reviews, and other means, or issue management decisions on audit findings, as required. The PI and department administrator should jointly determine the frequency and scope of departmental monitoring procedures. A "risk-based" 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. ORPA 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 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 remaining obligated funding amount defined in subaward agreement)
 - Certification as to the truth and accuracy of the costs invoiced(*Firm, fixed price subaward agreement invoices follow a designated payment schedule and, therefore, do not require a detailed breakdown of the major expenditure categories.)
2. Upon completing the desk review, ORPA will submit the invoice to PI to review and approve or reject the subrecipient invoice using PeopleSoft. A Prime Quick Approval Guide for the PI outlines how to view, approve, or reject invoices.
3. PIs or their authorized departmental designees are responsible for reviewing and approving invoices from subrecipients for adherence to the budget and assurance of technical progress. PI or authorized departmental designee approval indicates that the review has been completed, the invoice adheres to the budget, and technical progress to-date is acceptable.
4. If any invoice changes are required or the PI or authorized departmental designee rejects the invoice, ORPA will receive an email notification via PeopleSoft. ORPA will coordinate with the PI and the subrecipient in order to resolve any outstanding issues.
5. Invoices approved by the PI or departmental designee will route to Accounts Payable to remit payment to subrecipient.

SUBAWARD CLOSEOUT

ORPA, 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

The requirements of the University's prime sponsored award, under which a 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.