

# Subaward Manual

University of Maryland Center for Environmental Science

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# University of Maryland Center for Environmental Science

## Office of Research Administration and Advancement

### Subaward Procedures Manual

#### Purpose

The purpose of the **University Maryland Center for Environmental Science Subaward Procedures Manual** is to provide guidance to UMCES faculty and staff in being compliant with university and awarding agency requirements for the preparation and management of UMCES-issued subawards under externally-funded programs.

#### Definition of a Subaward

A subaward issued by UMCES refers to an agreement between UMCES and any other organization in which a Principal Investigator (PI) at the other organization will assist UMCES in accomplishing an externally-funded project by performing *substantive work* on the project. "Substantive work" is effort in which the collaborator engages directly in the performance of the specific aims of the project. UMCES and the subrecipient mutually agree on how the substantive work will be performed and how it will be measured. The subawardee will have a PI and will generally have potentially patentable or copyrightable technology and/or publications resulting from the project. A subaward is not used for the procurement or purchase of routine goods or services (vendor agreements). In this document the terms subaward and subcontract are used interchangeably and mean the same thing.

#### Appropriate Use of Subawards

Use a Subaward When:

- the scope of work to be performed utilizes the facilities, employees and/or resources of a subrecipient;
- the subrecipient is contributing substantively to the scholarly and/or scientific conduct of the project as described in the scope of work and has responsibility for programmatic decision making;
- the subrecipient has responsibility for adherence to applicable federal program compliance and performance and is measured against whether the objectives of the federal program are met;
- the subrecipient will bring a unique knowledge and expertise to the project and conduct the work mostly independent of UMCES's direct supervision or control with only general technical direction and coordination exercised by the UMCES PI; or
- the subrecipient, as part of its primary business operations, does not provide the same goods and services to others and will be using the subaward funds to carry out a program of the subrecipient organization rather than provide goods and services to complete a program for the sole benefit of UMCES (e.g. purchase, fabrication or repair of equipment, data processing, routine analytical or testing services).

## Inappropriate Use of a Subaward

Do NOT use a Subaward if:

- the agreement is for the provision of goods or services within normal business operations;
- the organization/business provides similar goods or services to many different purchasers;
- the organization/business operates in a competitive environment for the provisioning of the goods or services to be procured;
- providing goods or services are ancillary to the operation of the funding agency; or
- the organization/business is not subject to the requirements of the funding agency.

When a subaward is not appropriate, the PI/lab should check with the Procurement Department for information on how to purchase the goods or services.

Note, as F&A is charged on only the first \$25,000 of a subcontract but on the entire amount of a vendor contractual arrangement, it is important to correctly identify the type of provider at the proposal stage. Incorrectly identifying a provider as a subcontract when they are in fact a vendor will negatively impact the research budget. For assistance in appropriately identifying a provider relationship, please see [ORAA Subcontractor vs. Vendor vs. Consultant Definitions](#) and the [ORAA Subrecipient and Vendor Determination Checklist](#).

## The Subaward Process at the Proposal Stage

Most funding agencies require written approval before a subaward is issued. This means the UMCES PI should determine the potential need for a subaward at the proposal stage. The [Subrecipient Commitment Form](#) is required, and should be completed by the PI, LBO, and the subrecipient. While this information is not required by the sponsor, this supplemental information identifies potential negotiation and compliance issues.

The following information is to be requested from the potential subrecipient. Depending on the proposal guidelines from the sponsor, other information may also be required, such as a letter of intent, biographical sketches, current and pending other support, the subrecipient's W-9, and available facilities information. For federally sponsored projects, a copy of the subrecipient's Federally Negotiated FA rate is required.

### Information needed at Proposal Stage:

- a scope of work to be completed by the subrecipient;
- a budget that meets the requirements of the sponsor and UMCES; outline any cost sharing commitment made by the subrecipient;
- the subrecipient's F&A rate agreement;
- the signature of an authorized official indicating the potential subaward institution's commitment to perform the proposed scope of work, the commitment of the institution for cost sharing (if necessary), assuring the accuracy and reasonableness of the budget, and agreeing to enter into a subaward if the proposal is funded;
- all required representations, certifications and assurances (e.g. human subjects assurance).

For potential subrecipients deemed higher risk, additional information may be requested.

The PI should be aware of the [‘General Procurement Standards’ 2 CFR 200.318](#), which states:

“The recipient shall maintain written standards of conduct governing the performance of its employees engaged in the award and administration of contracts. No employee, officer, or agent shall participate in the selection, award, or administration of a contract supported by Federal funds if a real or apparent conflict of interest would be involved. Such a conflict would arise when the employee, officer, or agent, any member of his or her immediate family, his or her partner, or an organization which employs or is about to employ any of the parties indicated herein, has a financial or other interest in the firm selected for an award. The officers, employees, and agents of the recipient shall neither solicit nor accept gratuities, favors, or anything of monetary value from contractors, or parties to subagreements. However, recipients may set standards for situations in which the financial interest is not substantial or the gift is an unsolicited item of nominal value. The standards of conduct shall provide for disciplinary actions to be applied for violations of such standards by officers, employees, or agents of the recipient.” *See also the UMCES Conflict Of Interest/Conflict Of Commitment Policy (UMCES Policy II-3.10) that also references Maryland State Ethics Law.*

**The budget** consists of a categorical breakdown of subrecipient costs, which could include both direct and facilities and administrative (F&A) costs, if allowed by the funding agency. If the subaward is to a for-profit business, they may not have a federally negotiated rate. If a proposed Subrecipient wishes to be reimbursed for indirect costs but does not have an approved F&A rate agreement with the federal government, UMCES will use the 10% de minimis rate as prescribed in [2 CFR 200.414 \(f\)](#). The budget should also show a categorical breakdown of subrecipient cost sharing, if cost sharing is required.

In the case of subawarding to a foreign entity, special considerations apply. The foreign entity must be approved by the primary award sponsor. In many cases, indirect costs are not allowed. However, a foreign subawardee can add expenses that are typically categorized as indirect costs as direct costs. The costs must still be allocable, allowable, and reasonable for the project. Please note, for some awarding sponsors, Canadian universities are considered domestic and have federally negotiated indirect cost rate agreements. Each foreign entity should be looked at on a case-by-case basis. UMCES Principal Investigators are encouraged to contact ORAA staff to help determine any restrictions that will be applied to collaboration with a foreign institute and how they may be handled.

**The scope of work** outlines the work to be accomplished by the subrecipient.

It is not uncommon for the sponsor to request revised information, e.g., budget after the initial review of the proposal by the sponsor. This revision may or may not impact a potential subrecipient. If it does, the UMCES PI would contact the subaward PI for the required revisions. All revised documentation from the subrecipient would once again require an institutional/organizational authorized representative signature.

## Issuing the Subaward

After the sponsor has issued an award and ORAA has issued the summary sheet to the PI and the PI's lab business office, LBO will then:

1. Confirm with the PI that no changes are needed to the subcontract's proposed budget/SOW,
2. Confirm subcontractor exists as a vendor with State of Maryland (i.e., exists in KFS). If the subcontractor does not already exist in KFS, take steps to establish them in the system.
3. Submit a requisition to establish a subcontract via KFS, and

4. Email ORAA the [Request for Subaward Form](#) and the subcontractor's budget and SOW.

ORAA will issue a subcontract using the appropriate model for the type of subcontractor. If the subcontractor requests revisions to the terms of the subcontract, ORAA will negotiate (with PI input as necessary) and issue the subcontract. After both the University and the subcontractor have signed the subcontract, ORAA will finalize the purchase order within the KFS project account, thereby encumbering the subcontract. Only ORAA has the legal authority to enter into contracts with subrecipients. No one at the lab, including the PIs, should negotiate terms or sign contracts on behalf of the University.

## Modification of Subaward

As changes occur to the prime award, there are changes/modifications that can be passed on to the subrecipients. Modifications can be requested by the subrecipient or passed down from the pass-through entity and result in an Amendment to the subaward. The most common amendments are no cost extensions, budget modifications, and additional time & funds.

Just as subawards are not created without PI/LBO initiation, amendments also require the PI or designee to initiate an amendment that is not clerical in nature. To request an amendment to an existing subaward:

1. PI approves the request from the subrecipient or initiates a modification based on prime sponsor information.
2. A [Subrecipient Modification Request](#) form is completed, signed by PI/designee, and forwarded to ORAA with any relevant information.

## Paying the Subrecipient Invoices

Invoices from the subcontractor must first be reviewed and approved by the PI/lab. PI approval certifies satisfactory performance and appropriateness of project expenditures. The [Subrecipient Monitoring Invoice Checklist](#) **must** be used and maintained by the lab. Once approved, invoices are then forwarded to the UMCP Accounts Payable Office for vendor payment. A copy of both the invoice and the PI approval must be uploaded and attached into KFS before payment will be approved.

Note: Invoices must be paid as they are received and approved, within a reasonable time (usually within a 30 day turnaround). Invoices cannot be held for payment while UMCES has payment pending from our prime. If there is a reason to withhold payment (i.e., PI dissatisfaction with performance), this should be communicated to ORAA immediately. ORAA will then work with the PI/lab to determine the best course of action.

## Subaward Conflict Resolution

Sometimes the collaborative relationship experiences difficulties. These difficulties vary in nature from minor problems to major project issues. UMCES Principal Investigators should contact ORAA at the first onset of any subawardee problems. ORAA can offer a variety of solutions depending on the nature of the problem, the type of funding involved, and the sponsoring agency's policies. In general, we will make every effort to work with subawardees to resolve any issues. However, Principal Investigators have certain rights he/she can exercise if the collaboration has deteriorated beyond the point of recovery.

## Subaward Closeout

After the UMCES Principal Investigator deems that the subaward has completed their scope of work, the PI (with assistance from the lab business office) will collect all final reports. These reports usually include, but are not limited to, a final invoice of current and cumulative expenses, final property report, and final patent/invention report. The PI/LBO will complete the Subaward Closeout Authorization Form and forward to ORAA for final reporting to the sponsor.

## Subrecipient Monitoring – PI, Business Office and ORAA Responsibilities

The PI is responsible for:

- Verifying that work performed by the subrecipient is conducted in a timely manner and is acceptable (via the Subrecipient Monitoring Invoice Checklist);
- Reviewing and approving subrecipient invoices in a timely manner;
- Maintaining regular contact with the subrecipient regarding the technical aspects of the project;
- Performing site visits as necessary to review programmatic records and/or observe programmatic activities;
- Ensuring that all deliverables (e.g. technical, property, and invention reports) required under the subaward are being provided; and
- Returning the completed [Subaward Closeout Form](#) to LBO

The PI's lab business office is responsible for:

- Monitoring the subcontracts and making sure the subcontractor is regularly sending invoices;
- Reviewing subrecipient invoices and forwarding them to the PI for review and approval;
- Keeping track of invoices and follow up with PI as needed for timely approval;
- Verifying cost sharing commitment is regularly reported throughout the project, documented and certified by subrecipient;
- Notifying ORAA of any desired changes / modifications to subcontract, and
- Returning the completed [Subaward Closeout Form](#) to ORAA

ORAA is responsible for:

- Informing each subrecipient of the CFDA title and number, award name and number, and name of the federal agency providing funding;
- Advising subrecipients of the requirements imposed on them by federal laws, regulations, the provisions of the prime award, or provisions of UMCES;
- Ensuring that non-profit subrecipients expending \$750,000 or more in federal awards during the subrecipient's fiscal year have met the single audit requirements;
- Working with the Comptroller in issuing a management decision (when subrecipients have audit findings) within six months after receipt of the subrecipient's audit report and ensuring that the subrecipient takes appropriate and timely corrective action;
- Considering whether subrecipient audits necessitate adjustment of UMCES's own records;
- Requiring each subrecipient to permit UMCES and auditors to have access to the records and financial statements as necessary for audit purposes;
- verifying the subrecipient has not been debarred or suspended from receiving federal funds

- Verifying the subrecipient has an IRB or IACUC approved research protocol if necessary
- Ensuring that desk audits and/or site visits are performed as necessary for review of subrecipient financial records; and
- Obtaining a Small Business Subcontracting Plan from the subrecipient if a subaward is on a federal contract incorporating the Small Business Subcontracting Plan requirement, the amount of the subaward is \$750,000 or more AND the subrecipient is not a small business.

## Select Sources of Federal Guidelines

2 CFR 200: "Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards"

<http://www.ecfr.gov/cgi-bin/retrieveECFR?gp=&SID=abeff75292d1bfc2541e2776c0bb9da2&mc=true&n=pt2.1.200&r=PART&ty=HTML>

OMB Circular A-21: "Cost Principles for Educational Institutions"

<http://www.whitehouse.gov/omb/circulars/a021/a021.html>

OMB Circular A-133: "Audits of States, Local Governments, and Non-Profit Organizations"

<http://www.whitehouse.gov/omb/circulars/a133/a133.html>

OMB Circular A-110: "Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations"

<http://www.whitehouse.gov/omb/circulars/a110/a110.html>

Federal Acquisition Regulations <http://farsite.hill.af.mil/>

## Sources of Other Pertinent UMCES Policies

UMCES Office of Research Administration and Advancement ([ora@umces.edu](mailto:ora@umces.edu))

<http://www.umces.edu/research-discovery/ora>

ORAA Subawards and Subrecipient Monitoring

<http://www.umces.edu/research-administration-subawards>

## Acronyms

ARRA: American Recovery and Reinvestment Act  
AOR: Authorized Organization Representative  
AY: Academic Year  
BR: Budget Reallocation  
CCR: Central Contractor Registration  
CFDA: Catalog of Federal Domestic Assistance  
COI: Conflict of Interest  
CY: Calendar Year  
DUNS: Data Universal Numbering System  
EIN: Entity Identification Number  
F & A: Facilities and Administrative  
FOA: Funding Opportunity Announcement  
FOIA: Freedom of Information Act  
FTE: Full-time Equivalent  
FY: Fiscal Year  
GMO: Grants Management Officer  
HBCU: Historically Black College or University  
ICR: Indirect Cost Rate  
IRB: Institutional Review Board  
LBO: Lab Business Office  
LOI: Letter of Intent/Letter of Inquiry  
NCE: No Cost Extension  
NOA: Notice of Award  
NOFA: Notice of Funding Availability  
OMB: Office of Management and Budget  
ORAA: Office of Research Administration and Advancement  
PI: Primary Investigator  
PO: Purchase Order  
RFA: Request for Applications  
RFP: Request for Proposals  
SA: Subaward  
SOW: Scope or Statement of Work  
UG: Uniform Guidance