Today’s Agenda

- Key Terms for Subcontracts/Subaward Agreements
- Federal Requirements
- Life of a Subcontract/Subaward
  - Proposal Stage
  - Subrecipient Monitoring
  - Managing Risk
  - Close-out
- A Look at the Audit Environment
Key Terms

- **Prime Recipient**: is the direct recipient of funds from the sponsor to support a research project.

- **Pass-through Entity**: When a prime recipient makes an award to a subrecipient, the prime is also referred to as the pass-through entity. A pass-through entity delegates a portion of the work responsibility of the research plan to the subrecipient via a subaward/subcontract.
  - Subrecipient aka “The Sub”
What is a Subagreement?

- A formal binding legal agreement between your institution and another legal entity
  - A portion of the prime’s sponsored project's intellectually significant activity is assigned to another entity (“the subrecipient”) to fulfill
  - Work is generally performed by the subrecipient’s personnel using their resources, usually at their site
What is a Subagreement?

- The subrecipient takes full responsibility, including intellectual leadership, for a portion of your work statement
- The award terms and conditions you accepted are “flowed down” to the sub, which must also agree to comply with them
  - Audit requirements, restrictions on rebudgeting, human and animal subjects approvals, conflict of interest, etc.
Prime’s Responsibility

- When a “subagreement” is issued under a federally funded grant or contract, the prime recipient of those funds is still accountable to the federal government for how the project is managed.
  - Case in point: The UMass Med School had to repay disallowed costs from its subaward to Yale
Subcontract vs. Subaward

- Subcontracts and subawards provide a contractual mechanism through which the University passes on the terms and conditions of the prime award to the research partnering institution.

- This concept is sometimes referred to as “flow-down.”
Subcontract vs. Subaward

- **Subcontract**
  - Subagreements issued under a federal contract (procurement mechanism)
  - Acquisition for direct benefit or use of the Sponsor
  - Well defined scope of work and usually with specific deliverables and or work product
  - Payment may be tied to completion of deliverables
Subcontract vs. Subaward

- Subaward
  - Subagreements issued under a grant or cooperative agreement
  - Reflects a relationship between prime and subrecipient
  - Scope of work is usually mutually designed around the common areas of research interest between the two site investigators
  - “Best efforts” are used in completing the research, e.g., outcomes may be undefined
Subagreement vs. Vendor vs. Consultant Relationships

What is the difference between a subagreement, a vendor agreement, and a consulting relationship (contracted services form)?
Variations

- **Subagreements**: Collaborative relationship where a sub-site will conduct a portion of the overall project, which is governed by an agreement and subject to the terms and conditions of the prime award.

- **Consultant**: Categorized as a vendor-type relationship, where an individual or company is retained to provide professional advise or services on a project for a fee.

- **Vendor**: A dealer, distributor, merchant, or other seller providing goods or services that are required for the conduct of a research program.
Decision on Establishing a Subaward

- **When to Issue a Sub:** Subawards/Subcontracts are written to assign a portion of the *programmatic* effort to another entity.
- **When not to Issue a Sub:** Acquisition of supplies, materials, equipment, consultants, or general support services.
- **Characteristics/Terms of the Sub:** Normally the sub will mirror the same terms found in the prime award.
- **Period of Performance:** Must be within the period of performance of the prime agreement, e.g., the start date of a sub cannot be earlier or end later than the project dates on the prime award.
- **Funding Increments:** If we receive annual increments of funding the same terms will be given to the sub, e.g., cannot give what we do not have.
- **If Animal and/or Human Subjects work is included in the Scope of Work to be performed at the site**
Origin of Subagreement Template used by OSR

- Federal Demonstration Partnership (FDP)
- The FDP is a collection of 10 federal agencies and 119 institutional recipients of federal funds
- Purpose is to *reduce the administrative burdens associated with research grants and contracts through identifying, testing and implementing more effective ways of managing federal funds*
- The most famous outcome from FDP is the Research Terms and Conditions (RTC), but they have also done a considerable amount of work in the development of a streamlined subaward template

http://thefdp.org
FDP Subaward Template

- On January 4, 2005, the Office of Science and Technology Policy and the Office of Management and Budget issued a joint memorandum endorsing the use of the FDP model subagreement by all A-110 recipients and subrecipients of research grants and cooperative agreements

- As an FDP member, Northwestern utilizes the FDP forms for our outgoing subaward templates

- FDP templates are not applicable in Federal Contracts, e.g., N01

- Current version November, 2011, Revised July 2011 to add FCOI language
Types of Agreements

Cost Reimbursable (More Common)

- When to use:
  - When work performed cannot be precisely estimated or described. Most appropriate for R&D work performed by educational and nonprofit organizations.
  - Generally, more economical than fixed price because costs are not weighted to protect against risk of underestimating level of effort required for work completion.

- Characteristics:
  - Reimburses for actual costs of work; Not to exceed a stated maximum cost
  - Invoicing required; Detailed accounting records required
  - No refunds if maximum allocated not spent
Types of Agreements

Fixed Price (Less Common)

- **When to use:**
  - Suitable for Capitation Studies under a Clinical Trial to pay sub-sites for the actual recruitment of patients, e.g., payments would be triggered by the submission of a case report form
  - When procuring set deliverables--payments are tied to a milestone or delivery of said item

- **Characteristics:**
  - Cost is not adjusted unless Scope of Work changes
  - Risk inherent in estimating cost of project accurately—don’t forget to consider F&A in the evaluation
  - Minimal administrative burden as detailed invoicing not normally required
  - Often includes incremental payment schedule
Federal Regulations

Grants
  OMB Circular A-110
  OMB Circular A-133

Contracts
  Federal Acquisition Regulations (FAR)
    -Primarily for contracts
OMB Circular A-110

- Establishes uniform administrative requirements for Federal grants
- Outlines the definitions of subaward and subrecipient
- Also identifies subrecipients that are subject to audit requirements in OMB A-133
What about A-133?

- A-133 is the OMB Circular covering audit requirements
- Recipients of federal awards are required to conduct an annual A-133 audit
- NU is required to review the A-133’s of our subrecipients
- NU can use these Audits to assess the risk and ability of the subrecipient to manage the federal funds being flowed down
- If there are audit findings and applicable to our subaward, NU may issue a management decision to ensure that the subrecipient takes appropriate and timely corrective action
- If high risk, OSR may issue a more restrictive subagreement
A-133 con’t

- Allows ongoing monitoring of activities of the subrecipient, including site visits, to ensure that compliance and performance goals are met.
- Ensures that federal funds are used for authorized purposes in accordance with terms and conditions of the prime award.
Federal Acquisition Regulations (FAR)

- Establishes terms and conditions for Federal Contracts (procurement mechanism)
- For universities, the FAR does incorporate OMB Circular A-21, e.g., the cost accounting standards and the like
- Agencies also issue supplements to the FAR (DFAR, HHSFAR, etc.)
Life of a Subcontract
Proposal Preparation

Subrecipient must submit:

- Signed Letter of Intent (Commitment Form)
- As applicable...COI Certification
- Scope of Work
- Budget
- Budget Justification
- Other items as required
Conflict of Interest and Subs

Step 1: Who are the Investigators as defined by the final rule at the sub-site?

- Determined by the prime PI
- Keep in mind that this is Investigators per the COI definition, and not just “Investigator” as in Co-Investigator:
- Definition: “Investigator means the project director or principal Investigator and any other person, regardless of title or position, who is responsible for the design, conduct, or reporting of research funded by the NIH, or proposed for such funding, or someone who assumes independent responsibility for portions of an Investigator’s proposed or funded project, which may include, for example, collaborators or consultants.”
Step 2: Does the sub-site have an established FCOI Policy per the Final Rule?

- Check the FDP Institutional Clearinghouse
  - [http://sites.nationalacademies.org/PGA/fdp/PGA_070596](http://sites.nationalacademies.org/PGA/fdp/PGA_070596)
- Subrecipient will need to attest, on Northwestern’s “Subrecipient Commitment Form”, that they either have their own policy, will create a policy of their own, or will abide by NU’s COI policy
- If the subrecipient agrees to abide by NU’s policy, their COI eligible investigators will be deemed to be Persons Outside the Institution (POI)
Step 3: Process for Persons Outside the Institution (POI) (only required IF the subrecipient Investigator (and any consultant Investigators) elect to abide by Northwestern’s COI policy on Northwestern “Subrecipient Commitment Form”)

- **Proposal**
  - Facilitate the completion the “Subrecipient/Consultant Investigator Conflict of Interest Disclosure and Certification Form” for each POI, which includes an attestation to the review of a COI educational PDF document sent to POI with form
  - POIs submit form to nucoi@northwestern.edu (Julia Campbell, NUCOI)
  - NUCOI notifies OSR that POI COI requirements have been met

- **JIT**
  - POI will be added to Info Ed PD proposal record and FASIS
  - E-mail your GO the POI’s Name, Date of Birth, and E-mail Address
    - The OSR Info Team and FASIS will create a record for the POI
    - The POI will then be provided a net ID and make a COI disclosure in FASIS

- **Award**
  - Subagreement language will confirm that POI will abide by NU’s COI policy
Conflict of Interest and Subs

Step 4: Subrecipients with their own FCOI policy

- **Proposal:**
  - Complete the “Subrecipient Commitment Form”

- **JIT**
  - Provide assurance that investigators at the sub-site have updated their SFI disclosure

- **Award:**
  - Language is included in the subagreement for the subrecipient to attest their institution has made an FCOI determination
Proposal Preparation

- Obtain satisfactory evidence of F&A and other rates
- Verify that subrecipient is not debarred or suspended if federal award
- Check for A-133 or other audit results
- Federal Audit Clearinghouse: http://harvester.census.gov/sac/
Subaward Issuance: What Does NU Need?

- Subrecipient PI and institutional contact information—so we know where to send the subagreement
- Statement of Work—also required for FFATA reporting
- Budget (including cost sharing if applicable)
- Technical/financial reporting requirements
- Payment terms and schedule
- Subaward performance period
- Other information as required
Request to Issue a New Subagreement (OSR-6)

When a sponsored project involves a subcontract from Northwestern to a subrecipient institution, an **OSR-6** form is used.

The **OSR-6** is a three page document that includes:

- Basic subcontractor institution and PI information
- Project and budget periods
- Dollars to be awarded
- Special terms, if applicable, such as title to equipment, reporting requirements, and rebudgeting restrictions
- Signature and date line for PI to certify agreement and provide a Conflict of Interest Statement

Please include COMPLETE chart string on form.
Request to Issue a New Subagreement (OSR-6)

1. Complete OSR-6
2. PI signs and dates OSR-6

Dept Admin/PI

3. Completed OSR-6 plus Statement of Work
Budget and Budget Justification

Dept Admin Submits to Grant Officer

4. OSR prepares subaward agreement
5. OSR sends partially-executed subaward agreement to subk site (Unsigned if subject to FFATA)

OSR
Request to Issue a New Subagreement (OSR-6)

**Subcontractor**

6. Reviews subaward agreement

7. Sends copy of fully-executed subaward to dept and ASRSP

**OSR**

- Returns fully-executed subaward to OSR

**Dept Admin/PI**

8. Dept sets up PO in NUFS for subaward value

9. Dept/PI review subaward invoices and PI signs approval
Requesting a Subaward Modification (Amendment)

- Notify your GO of proposed modifications
- Modification may need sponsor approval
- Provide OSR the following (if applicable)
  - Revised Budget
  - New Period of Performance
  - Changes to Scope of Work
  - Subrecipient PI change

- Do you need to terminate the agreement? Call OSR.
Request to Modify a Subagreement (OSR-7)

When a sponsored project involves the modification of an existing subcontract from Northwestern to a subrecipient institution, such as to recognize the next year of funding, change the terms and conditions, or terminate a subaward agreement, an OSR-7 form is used to process an amendment.

The OSR-7 is a single page document that includes:

- Types of modification to be made:
  - Add funding
  - Modify period of performance
  - Terminate existing agreement
  - Other actions (e.g., add or remove restrictions)

- Signature and date line for PI to certify amendment and provide a Conflict of Interest Statement

Please include COMPLETE chart string on form.
Request to Modify a Subagreement (OSR-7)

1. Complete OSR-7
2. PI signs and dates OSR-7

3. Completed OSR-7 plus Budget that matches dollars requested

4. OSR prepares subaward amendment
5. OSR sends partially-executed subaward amendment to subk site
Request to Modify a Subagreement (OSR-7)

**Subcontractor**

6. Reviews subaward amendment

Returns fully-executed amendment to OSR

**OSR**

7. Sends copy of fully-executed amendment to dept and ASRSP

**Dept Admin/PI**

8. Dept modifies PO in NUFS for subaward value

9. Dept/PI review subaward invoices and PI signs approval
**FFATA**

**Federal Funding Accountability and Transparency Act**

- NU must make data on our subcontractors and vendors who receive >$25,000 publically available thru federal website
- NU will not pay invoices until the FFATA form is returned by the subrecipient
- Reporting date based on fully executed date
- Any FFATA questions/forms received should be forwarded to OSR
When NU Receives a Subaward:

Potentially Problematic Award Terms (especially incoming subagreements):

- Confidentiality
- Export controls
- Classified information
- Intellectual property rights
- Publication restrictions
- Timing of reports & deliverables
- Termination
Foreign subagreements under NIH grants must also adhere to the public policy requirements in the NIH Grants Policy Statement. In addition, they must have assurances filed with NIH that cover the activities that relate to the project. These subaward requirements include:

- Human subjects
- Research misconduct
- Research involving vertebrate animals
- Non-delinquency for any federal debts
- Lobbying
- Drug-free workplace
- Financial conflict of interest

Much higher risks, often due to cultural differences
- Consider fixed price budget based on deliverables
NIH Clinical Trial Subawards

- Risk of lack of non-enrollment is high

- Consider fixed price budget based on deliverables
  - Fixed price budgets simplify subaward processing – every site gets the same reimbursement
  - This will ensure that subawardee is only reimbursed for actual work performed
  - Helps to resolve PI/subsite PI disputes
Break
Subrecipient Monitoring
What is Subrecipient Monitoring?

- The process of providing oversight on subawards throughout their lifecycle, including:
  - Obtaining appropriate documentation prior to proposal;
  - Reviewing appropriateness of the subawardee;
  - Executing a sub consistent with A-133 requirements;
  - Receiving annual signed A-133 certification statements as appropriate.
Assessing Risk

- Size of subaward (absolute, or relative to size of subrecipient’s sponsored portfolio)
- Percentage of award passed through to sub
- Complexity of award & sensitivity of work
  - Location of subawardee (remote, foreign, etc.)
Assessing Risk

- Degree of external oversight by auditors or sponsoring agencies
- Sophistication of subrecipient’s administrative systems
- Prior experience with the subrecipient
Assessing Risk

May be High Risk:

- No previous experience with this subcontractor
- Foreign institution
- For-profit with no audited financial report
- Findings on previous A-133 reports-relating to lack of internal controls or material weaknesses
- Small entity not subject to A-133
- Subcontract agreement providing more than 75% of the award to the subcontractor
Assessing Risk

May be High Risk:

- Subcontract fails to respond to our request for A-133 report certification
- Subcontractor fails to submit timely program/technical reports as requested in the subcontract agreement
- Subcontractor fails to submit timely invoices with sufficient detail of expenses
Assessing Risk

May be Low Risk:

- The subcontract agreement is with another educational institution having consistently good A-133 reports
- Subcontract dollar amount low – less than $5,000 - with good documentation on financials and with past experience of good business
Potential Responses to High Risk Subs

- Add requirement for expenditure backup materials. Tie receipt of technical progress reports to payments.
- Require on-site monitoring (technical and financial).
- Add prior approval requirements.
- Add more stringent termination or stop-work language for failure to comply with requirements.
Cost Reimbursement vs. Fixed Price Subs

- **Cost Reimbursement Mechanism-**
  - Work cannot be precisely estimated or defined
  - Allows the best flexibility to add $ or extend time
  - Most common practice for hospitals, universities and non-profits

- **Fixed Price Mechanism-**
  - May be appropriate for Higher Risk Subs-Foreign, Small Businesses
  - Appropriate for well defined work scope and deliverables
Principal Investigator:

- Assumes ultimate responsibility for compliance
- Communicates with subrecipient regularly and monitors subrecipient technical progress
- Reviews and approves invoices
- Communicates issues or problems as necessary
Monitoring Roles & Responsibilities

Department Administrator:

- Reviews expenditures on invoices relative to budget
- Maintains documentation of monitoring efforts
- Acts as the important link between PI and central administrative research offices
Monitoring Roles & Responsibilities

Central Research Offices:

- Defines policies & procedures
- Reviews A-133 reports & corrective action plans
- Provides ad hoc training
- Conducts annual risk-based assessments, based on A-133 audit reports
- Coordinates site visits and audits if necessary
A-133 Certification Letter

(  ) Our A-133 audit is not yet complete. We expect the audit to be completed by_____________. Upon completion, we will provide you with a written certification and if material findings are reported related to our sub-award(s) from Northwestern University, we will send a copy of the audit report and corrective action plan.

(  ) Our A-133 audit is complete. There were no material weaknesses, no material instances of non-compliance and no findings related to the sub-award(s) from Northwestern University. Therefore, we are not enclosing a copy of the report.

(  ) Our A-133 audit is complete. Material weaknesses, material instances of non-compliance or findings related to Northwestern University’s sub-award(s) were noted. Enclosed is a copy of the audit report. Relevant findings, our responses and corrective action plan are discussed on page(s)______________.

(  ) We are not subject to the provisions of A-133 because:
   (  ) Our organization is for-profit.
   (  ) Our organization expended less than $ 500,000 in Federal funds.
   (  ) Other ( please explain ) ____________________________________________________

I certify that the above checked boxes characterize the position of the institution of which I am a representative. Further, I certify that all relevant material findings contained in the audit report, if complete, have been disclosed.

Signature: ________________________________________________________________
Date:______________________________________________
Name and Title: __________________________________________________________________
DUNS number(s)__________________________
E-mail: ______________________________________ URL for Audit Copy: ________________________________
Process Steps

• After OSR forwards the fully executed agreement or amendment to the PI, Dept. and ASRSP:

  • ASRSP creates an internal Excel spreadsheet that tracks payments for the subagreement

  • Department initiates the requisition in NU Financials for the subagreement
Process Steps

• Requisition must include an uploaded fully executed agreement and a Single Source Justification Form (if $25,000 or over)

• Department uses expense account codes:
  - 78640 for the first $25,000. F&A is assessed on these expenses
  - 78643 for the first $25,000 when F&A has been waived. No F&A assessed, but allows NU to capture expenses for F&A rate negotiations
  - 78650 for all amounts after $25,000. F&A is not assessed on these expenses
Process Steps

• The submitted requisition will workflow to ASRSP, where it is reviewed for required attachments, correct amounts and expense account code usage

• The GCFA in ASRSP is notified that the requisition is ready for approval in NU Financials

• The purchase order number is generated by NU Financials after GCFA approval
Process Steps

- Invoices from subrecipients can arrive via e-mail or standard US mail to ASRSP, OSR or the Dept. (Even though the subagreement contains the ASRSP address)
Process Steps

- ASRSP reviews the invoices for the period covered, cumulative balance and any irregularities
- Any issues should be resolved prior to the PI’s approval
Process Steps

• If the invoice passes ASRSP review, it is stamped with the monthly or final invoice certification language for PI approval and emailed to the department for review.
I have reviewed the expenditures from the subrecipient’s invoice for the applicable period and believe to the best of my knowledge that they are appropriately assigned to this project in accordance with federal or other sponsor regulations, University policy, and the specific terms and conditions of the award. **This approval also indicates acceptable progress by the subrecipient on the award.**

Pur. Order: ____________________________
Chart String: ____________________________
PI Signature: ____________________________
Date: ____________________________
I have reviewed the expenditures from the subrecipient’s invoice from the applicable period and believe to the best of my knowledge that they are appropriately assigned to this project in accordance with federal or other sponsor regulations, University policy, and the specific terms and conditions of the award. In addition, all performance requirements, including any technical reports from the subrecipient have been completed, received, and accepted.

Purchase Order: _________________________________

Chart String: _________________________________

PI Signature: _________________________________

Date: _________________________________
Financial Monitoring

- Does the invoice contain the information required by the subagreement?
  - subaward/contract number
  - current charges/cumulative charges
  - proper expenditure categories

- Are the invoiced expenditures within the performance period (start/end dates) of the subagreement?
Monetary Monitoring

Monitoring expenses:

- Invoices should be accurate and timely
- Do the expenditures listed on the invoice appear reasonable and consistent with the statement of work
- Backup documents (receipts, appointment forms, payroll records, travel details, etc.) may be requested, unless prohibited by terms & conditions
Subrecipient Monitoring

Additional monitoring:

- Is progress up to the expectations of the PI?
  - Receive and review Technical Performance Reports
- Request additional back-up documentation if anything appears questionable
- Auditors recommend on-site visits (or at least maintain regular contact, documenting conversations)
Entering a Receiver

Prior to forwarding the approved invoice back to ASRSP - Dept creates receipt for invoice:

1). Log into NU Financials-Manage Requisitions
2). In drop down menu, choose receive
3). Dept enters purchase order receipt for exact amount of the invoice

This step conforms to good audit practice and is required for the three way match in NU Financials that allows the system to produce a payment.
ASRSP Payment Review

- ASRSP stamps invoice “approved” after PI approval, enters information for tracking purposes into internal spreadsheet and delivers to Account Payable.

- Check is delivered from AP to ASRSP for verification of printed check information- amount of invoice, remit address prior to sending to subrecipient.
Monitoring at Close-Out

- We recommend starting close out process three months prior to end date.
- Final invoices and reports should be received in a timely manner in order to submit reports to sponsors on time.
  - Late invoices and invoice disputes handled on a case by case basis.
  - Please contact us if you are encountering problems.
Monitoring at Close-Out

- Verify any cost sharing requirements or any other requirements have been fulfilled
- Verify receipt of “Final” invoice
- Final Invoice should be marked “Final”
- Collect any necessary narrative or technical reports
- We may need your assistance in the collection of their audit report or financial statements
Audit Activity

- What started Yale investigation-
  - NIH award to University of Massachusetts Medical School
  - Issued subaward to Yale University
  - Yale claimed costs of $193,779 that did not comply with A-21 and terms of the subgrant
  - Larger investigation ensued with multiple Federal agencies
Audit Activity

- University of Puerto Rico (UPR)
- Audit found $16K in questioned subawardee costs – also found internal controls at UPR were lacking

Findings:
- Two subawardees were unable to give the auditors adequate supporting documentation for the invoices
- Auditors found an error on duplicated billing/entry for F&A
Audit Activity

- At George Washington University:
  - Payments were made to fake subcontractors-companies the PI secretly controlled
  - GWU agreed to settle for $1,825,000 with the Department of Justice
  - Former PI was sentenced to 3 years in prison
    - Allegedly used funds to pay for Washington Redskins season tickets, payment of home equity line and on fees for a Florida condo
What’s considered the usual time it takes for payment to be sent to the subrecipient?

Payment within 30 days is usually the standard for what’s considered timely. Issues with the invoice or requests for additional documentation may prolong payment.

Please contact us if you have unusual circumstances with the subrecipient.
Who should I contact in ASRSP for processing questions on the Chicago campus?

Jeri Gann 503-1157
or
Maria Langone 503-0081
Subaward Best Practices

- Proper documentation of sub – proposal/award stage
- Timely monitoring of subs progress by PI
- PI review and signature of approval on invoices
- Departmental monitoring of sub invoices
- Contact us immediately if a problem develops
PARTNERSHIP

PI, DEPT, OSR and ASRSP all working together creates the ideal partnership in the subaward/contract process.
Thank You for Attending

References

- NCURA
- University of Minnesota
- Rice
- Harvard
- University of California branches