POLICY ON THE ADMINISTRATION OF SUBAWARDS UNDER EXTRAMURALY SPONSORED PROJECTS

I. PURPOSE

The purpose of this Document is to inform the campus, specifically persons responsible for the administration of extramurally sponsored projects, of the policies and procedures regarding the issuance and administration of subawards under extramurally sponsored projects.

II. REFERENCES


III. DEFINITIONS

A. Administering Unit – the UCSD department or Organized Research Unit (ORU) responsible for the financial management of the prime award.

B. Certification of Compliance with A-133 – a form that details Subrecipient’s compliance with Office of Management and Budget Circular A-133, Audits of Institutions of Higher Education and Other Nonprofit Organizations.

C. Competition - requirement whereby the University must obtain competitive bids from prospective Subrecipients.

D. Continuing Subaward - method of funding whereby a total estimated cost for the award is established, which amount is then subdivided into budget periods (usually equal to project years). Funds are then made available (obligated) by the Sponsor by budget period. Funds are commonly awarded only for the initial budget period, with amounts for projected budget periods listed. Each subsequent budget period is obligated by the sponsor after their receipt of the annual report. The sponsor is only liable to reimburse expenditures up to the amount of funds which have been obligated. UCSD issues Subawards in the same manner.

E. Fair & Reasonable Cost Analysis and Source Justification – UCSD uses a “source and cost price reasonableness - UCSD PI” form that is to be completed by the PI to certify that all costs proposed by the Subrecipient under the proposed Subaward were reviewed and found to be allowable, allocable and reasonable for the proposed Statement of Work. It is also used to document the reasons for the PI’s selection of the Subrecipient. If it is determined that
only a single supplier is capable of providing the required supplies or services within the time available, the competition requirement may be waived. This would be called a sole source transaction. Since the competition requirement is federally mandated, any sole source transaction must be fully justified. This justification is provided by the PI to the University official effecting the transaction. The “Subrecipient's Explanation of Cost Price” form is required to be completed by the Subrecipient and provides UCSD’s PI with needed support in order to complete the “source and cost price reasonableness - UCSD PI” form. There are two versions of the “Subrecipient's Explanation of Cost Price” form, one for for-profit and one for non-profit Subrecipients. Contact Business Contracts for these documents. (note, these documents are generally only required for subawards under prime contracts)

F. **Financial Management Systems Questionnaire (“Mini Audit”)** - a form completed by Subrecipient organization providing information on the financial systems and audit processes of the organization. Used by UCSD to determine the fitness of the organization to receive and manage funds and to assess the need for extraordinary monitoring of Subrecipient by UCSD.

G. **Incremental Subaward** - method of funding whereby a total estimated cost for the award is established, but funds are made available (obligated) in various time increments, usually less than one year. The size of an increment is usually dependent upon the availability of funds to the sponsor. Increments are not usually tied to specific reports, but to overall progress. The sponsor is only liable to reimburse expenditures up to the amount of funds which have been obligated. UCSD generally issues Subawards in the same manner.

H. **Multiple-Campus Award (MCA)** – an award issued by one UC campus to another as a method of distributing funds when more than one UC campus is participating on an award from an extramural sponsor. The campus which receives the prime award issues the MCA(s) to the other campus(es). Because an MCA is issued within the University of California and not between two separate legal entities, it is not a Subaward.

I. **Principal Investigator (PI)** - The individual who is directly involved and has the primary responsibility for the scientific, administrative, and fiscal conduct of the project.

J. **Purchase Contract** (e.g., purchase orders and subcontracts) are the legal documents which bind the University when purchasing goods and services from sources outside of the University.

K. **ESCOR (for old ifis subaward modifications) and iRequests** - a physical or electronic form used to establish and modify subawards. Similar to a Purchase Requisition, but solely for use with subawards.

L. **Subaward** - a contractual arrangement between the Regents of the University of California and another separate legal entity for the purpose of the entity conducting a portion of the scope of work; performing scholarly or professional instruction; or performing public service programs relating to research or to scholarly or professional instruction under an extramural prime award issued to the University. (note, MCAs are issued within the
same legal entity, the University of California)

M. **Subaward Contract Officer** – individual in Business Contracts authorized to issue, modify, monitor compliance status for subawards and Subrecipients on behalf of the Regents of the University, San Diego campus.

S. **Subaward Under A Prime Contract** - a purchase contract, under a prime contract, which contains special flow-down provisions and is generally utilized to procure research and development work or unusually complex or high-value items or services. (Note, these are frequently called “subcontracts”. However, the federal government frequently uses the term “subcontract” to mean a procurement made by the recipient. Under a grant, this would actually exclude Subawards while under a prime contract, it would include subawards and vendor transactions.)

T. **Subrecipient** – the entity with whom the University enters into a subaward. The term "Subrecipient" is used in this Document to denote the recipient of a University subaward, since the terms subcontractor and Subrecipient, may have different meanings depending on the context in which they are used.

U. **Subrecipient Commitment Form** - a form to be completed by Subrecipient detailing and confirming Subrecipient’s commitment to participate in the proposed research project. See Subrecipient Commitment form.

IV. **BACKGROUND**

On March 16, 1990, the Office of Management and Budget issued Circular A-133 which superseded the audit portion of OMB Circular A-110. With A-133, the federal government, for the first time, set out specific penalties for non-compliance with the audit requirement. Penalties include suspending federal awards. Furthermore, A-133 provides much more specific instruction to auditors as to what is to be reviewed and requires a recipient of federal funds to "flow-down" the independent audit requirement to any Subrecipient of those funds. A-133 makes the prime recipient responsible for monitoring the conduct of the Subrecipient. This monitoring includes both financial and programmatic conduct and requires that the prime recipient take specific action if the Subrecipient is not in compliance.

V. **POLICY**

A. **Proposing New Subawards**

1. **Overview** – When a proposal to a Sponsor is proposed to include costs from a potential Subrecipient, a determination must first be made whether the entity is a Subrecipient or a purchase contract. The Business Contracts office makes the final determination and will do so at time the request for subaward issuance is made unless contacted sooner for a final determination, such as at time of proposal. Otherwise, the PI and Administering Unit are responsible for a preliminary determination. To aid departments, A detailed decision guide is available at Subaward or
B. Issuance of New Subawards

1. Procedure

PI/Administering Unit is responsible for:

a. Initiating the request to Sponsor, if Subrecipient was not requested and approved as part of the proposal, if required. Contact OCGA.
b. Submitting a request for Business Contracts to issue a subaward, see Marketplace iRequests.
c. If the proposed Subrecipient has not been reviewed in Marketplace as a Subrecipient, a new supplier request will be needed will require the department to provided critically needed information about the Subrecipient, such as its tax ID number and DUNS number.
d. The Marketplace portal will also require information about the project and the sponsor as well as the statement of work, budget, sponsor’s award (often called a “notice of award”), special approvals obtained by the Subrecipient (such as IRB), F&A and Fringe Benefits agreements, and other items.

Business Contracts is responsible for:

a. Making a final determination as to whether a subaward is the appropriate mechanism by which to secure the desired services, based upon the information provided;
b. Obtaining and reviewing a completed Subrecipient Commitment Form (Subrecipient Commitment form), the grant or other sponsor award document, and Subrecipient's proposal;
c. Obtaining any necessary additional information from PI/Administering Unit and/or Subrecipient;
d. Reviewing whether prior agency approval is required (if Subrecipient was not included as part of the proposal);
e. Determining whether Subrecipient meets University standards in BUS 43 regarding financial/organizational competence;
f. Preparing and negotiating subaward, which will include incorporation of:
   1) Standard UC terms and conditions;
   2) Flow-down of appropriate sponsor terms and conditions;
   3) Special terms and conditions based upon Business Contracts’ determinations and information provided by PI/Administering Unit.
g.Consulting with other campus departments (e.g. campus counsel, risk management, purchasing) as necessary;
h. Executing subaward;

C. Monitoring Subawards
1. **Overview** - Sponsors require that the University keeps track of the performance, both programmatic and administrative, of any Subrecipient and, if necessary, take action (including legal) to ensure completion of the subaward.

It is the responsibility of the PI to monitor the programmatic performance of the Subrecipient. This will normally be accomplished by the PI's review of all deliverables submitted by the Subrecipient. Furthermore, the PI, in conjunction with Administering Unit, is responsible for reviewing Subrecipient invoices and/or financial reports for allowability and reasonableness of costs.

In the event that programmatic performance is unsatisfactory, or that certain costs appearing on an invoice are questionable, the PI/Administering should work with the Subrecipient to resolve the questions and concerns. If the questions/concerns are not able to be resolved between the PI/Administering Department and the Subrecipient, Business Contracts should be contacted so that the appropriate further action can be taken.

Similarly, any problems identified by Business Contracts will be discussed with the PI prior to the taking of any action.

2. **Procedure**

PI/Administering Unit is responsible for:

a. Reviewing invoices to ensure that:
   1) Costs are reasonable, allowable and allocable;
   2) Period of invoice is *within* period of subaward;
   3) Amount of invoice, when added to all previous invoices, does not exceed the total *obligated* amount of subaward.

b. Determining whether or not PI is satisfied with programmatic performance of Subrecipient and whether technical reports have been received;

c. Approving invoice for payment, if satisfied;

d. Timely forwarding of invoice (approved) to Disbursements.

Business Contracts is responsible for:

a. At PI/Administering Unit request, discussing any potential problems with Subrecipient;

b. Issuing modifications to the subaward agreement to address performance and other shortfalls after discussions with PI/Administering Unit.

**Modification and/or Termination of Existing Subawards**

All requests to change the terms of an existing subaward must be initiated by the department in one of two ways. For subawards created in IFIS, complete the Electronic Subaward Change Order Request (ESCOR) form and email to the Business Contracts office at buscon@ucsd.edu. For subawards created in Marketplace, complete the Subaward Modification iRequest. See
Subaward Modifications for detailed instructions on how to use the form.

1. **Continuation/Incremental Subaward Funding** - All incremental or continuation funding for subawards should be initiated by the Administering Unit as stated above. If the amount of the award to a Subrecipient is different from the amount originally negotiated with the Subrecipient for that particular budget period, an endorsed revised budget from the Subrecipient should accompany the request.

2. **Supplemental Funding** - All requests to increase the scope of work and add additional funding to a subaward should be accompanied by an approved budget and work statement. Please contact Business Contracts for review regarding whether a modification or new subaward is appropriate.

3. **Renewal Funding** - All requests to renew a subaward should be presumed to require the issuance of a new subaward. Where there is a question, contact Business Contracts for a determination.

4. **No-Cost Extensions** - Requests to extend the end date of a subaward should be submitted as stated above. *Please note that no subaward may be extended beyond the end date of the prime award.*

5. **Budget Revisions** – If prior approval is required for rebudgeting, an e-mail and/or letter from the Subrecipient, endorsed by the PI, should be forwarded to Business Contracts. If required, Business Contracts will work with OCGA to contact the Prime for approval and will notify the Subrecipient of the decision.

6. **Termination** – If the Principal Investigator determines that a Subaward is to be terminated, the Subawards Contract Officer in Business Contracts should be contacted as soon as possible.

E. **Closing Out Subawards**

1. **Overview** – Upon completion of the subaward, the PI/Administering Unit should determine whether programmatic, fiscal, and administrative responsibilities have been met. If requested, Business Contracts can assist with this if comparison to the subaward agreement terms and conditions is required.

   The PI/Administering Unit should review the subaward to determine if all deliverables and reporting requirements have been satisfactorily met. If the Subrecipient has not met the programmatic requirements as set forth in the subaward, the PI/Administering Unit should contact the Subaward Contract Officer for assistance.

   Please note that the final invoice is usually required within 60 days of the end date of subaward, and should generally *not* be paid until all subaward requirements have been met.

2. **Procedure**

   PI/Administering Unit is responsible for:
a. Reviewing subaward to determine that all deliverables and/or reporting requirements have been met;
b. Reviewing final invoice and/or final financial report to ensure that:
   1) costs were incurred in accordance with the terms of the subaward;
   2) all costs were incurred within period of subaward;
   3) amount of final invoice, when added to all previous invoices, does not exceed the total obligated amount of subaward;
c. Approving final invoice for payment, if satisfied with a. and b. above;
d. Submitting final invoice to Disbursements.