

UC Santa Barbara Policy and Procedure

Research Circular D.7 Policy on the Administration of Subawards Under Extramurally Sponsored Projects

Contact: **Office of Research, Sponsored Projects**

Issued: **April 2015**

Supersedes: **Research Circular D.7. Policy on the Administration of Subawards Under Extramurally Sponsored Projects, August 17, 2011**

Pages: **10**

Research Circular D.7. Policy on the Administration of Subawards Under Extramurally Sponsored Projects

On March 16, 1990, the Office of Management and Budget issued Circular A-133, which superseded the audit portion of OMB Circular A-110.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.

On December 26, 2014, the Office of Management and Budget (OMB) issued final guidance entitled “Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). This guidance supersedes and streamlines the existing eight OMB Circulars (A-21; A-87; A-122; A-110; A-102; A-133; A-50; and A-89). These new federal regulations became effective for new federal awards and new funding for existing awards on December 26, 2014. The OMB effort to regulate federal awards continues to solidify that SPO is the most appropriate department to establish and maintain the necessary policies and procedures to ensure that UCSB remains in compliance with federal regulations.

I. SCOPE

The purpose of this Research Circular (RC) 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. POLICY

A. Proposing New Subawards

When a proposal to a Sponsor will include costs to a potential Subrecipient, SPO needs to review certain information regarding the potential Subrecipient prior to submission of the proposal to the Sponsor. The procedural information is described in detail in the Subaward Processing Procedures (UCSB/OR SPP) and Multi-Campus Award Processing Procedures (UCSB/OR MCA SPP).

A formal proposal is required be solicited from a potential Subrecipient, and in all instances it also requires a Subrecipient Commitment Form UCSB/OR SK Form 100; the Fair & Reasonable Cost Analysis UCSB/OR SK Form 800 Part A form (Part A) and the Subrecipient vs. Contractor Determination Sheet. These forms must be submitted to SPO for review prior to proposal submission. One of the purposes of these forms is to help determine whether the services to be secured do, in fact,

fall under the category of subaward. If they do not, the instructions indicate which UCSB department should be contacted. The instructions also provide information on how the services should be represented in a proposal budget, depending on the nature of the services.

B. Issuance of New Subawards

SPO will assign to each new subaward a unique agreement number, consistent of KKXXXX. This number will be reflected on all invoices from the Subrecipient and in all Accounting transactions regarding the subaward, including the General Ledger. The subaward number will be assigned by SPO when a Request to Issue a Subaward UCSB/OR SK Form 800 Part B (Part B) is received. Part B is sent to SPO from the Administering Unit once the prime award is processed. Subaward numbers will be assigned in a KKXXXX sequence.

Once a subaward has been fully executed, SPO will issue a Subaward Notice. The Notice summarizes the terms of the subaward and enables Accounting to encumber funds for the subaward in the Accounting system. A copy of the Notice and associated documents will be forwarded to the PI, Accounting, and the Administering Unit.

C. Monitoring Subawards

Sponsors require that the University monitor 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 Unit should work with the Subrecipient to resolve the questions and concerns. If concerns are not able to be resolved between the PI/Administering Unit and the subawardee, SPO should be contacted so that the appropriate further action can be taken.

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

D. Modification and/or Termination of Existing Subawards

All requests to change the terms of an existing subaward must be submitted on Part B. The appropriate sections of the form should be completed depending on the nature of the modification. All such requests must be signed by the PI and submitted to SPO with a OR information sheet (Office of Research - UCSB Form 411).

E. Closing Out Subawards

Upon completion of the subaward, the PI/Administering Unit, Accounting, and SPO determine whether programmatic, fiscal, and administrative responsibilities have been met.

The PI/Administering Unit should review the subaward to determine if all deliverables and/or 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 Subawards Officer for assistance.

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

F. Subawards to UC Campuses

Where more than one UC campus is participating in an extramurally sponsored project, a University-wide procedure has been established called a Multiple Campus Award (MCA). The MCA, as detailed in UCOP Guidance Memo 14-08, is utilized to affect the transfer of funding and programmatic effort between campuses.

The campus which receives the prime extramural award will be responsible for overseeing all work performed under that award. Any other involved UC campus will be responsible only for the portion of work transferred to it.

SPO will assign to each new MCA a unique 6-digit agreement number. The MCA number will be assigned by SPO when a Request to Issue a Subaward UCSB/OR SK Form 800 Part B (Part B) is received. The Part B is sent to SPO once the prime award is processed. MCA numbers will be assigned in a MCXXX sequence.

G. Closing out Multi Campus Awards

Being that the 10 campuses are all the same legal entity, the closing out of the MCA is an internal administrative function. Responsibility for closeout of an MCA resides with the PI/Administering Unit. The PI/Administering Unit should review the MCA to determine that all deliverables and/or reporting requirements as set forth in the MCA have been satisfactorily met.

If it has been determined that the Subrecipient has not met the programmatic requirements as set forth in the MCA, the PI/Administering Unit should contact the Subawards Officer for assistance.

III. RESPONSIBILITIES

A. Authority

The Standard authority to execute purchase contracts, subcontracts and standard purchase orders for goods and services is delegated by the President to Chancellors and is subject to several provisos including:

1. approval is secured as required pursuant to the provisions of a contract, grant, or other extramural sponsor agreement;
2. approval as to form is secured from the General Counsel for any purchase contract other than that made on the standard purchase order form or for any changes in the standard terms and conditions attached to those forms.

B. Exceptions

An exception to the standard authority has been secured from Senior Vice President Brady for the Chancellor to transfer authority, for execution of subawards only, to the VCR for Research, and the Contract and Grant Manager. This redelegation is effective November 15, 1991.

IV. PROCEDURES

A. Proposing New Subawards

PI/Administering Unit is responsible for:

1. Determining that a subaward is the appropriate mechanism by which to secure the desired services;
2. Completing a Fair & Reasonable Cost Analysis (Part A) Form;
3. Completing a Subrecipient vs. Contractor Determination Sheet;
4. Obtaining the Subrecipient Commitment Form from the Subrecipient;
5. Forwarding the Part A; Determination Sheet; Commitment Form, and any required documents to SPO along with the original proposal from the Subrecipient, which has been approved by the Subrecipient's authorized representative; as well as any other documents Sponsor requires in the proposal (i.e. Biographical Sketches, Current and Pending Support, etc.);
6. If Subrecipient was not requested and approved, as part of the proposal, initiate a request to add a new subaward.

Sponsored Projects is responsible for:

1. Confirming the determination that a subaward is the appropriate mechanism by which to secure the desired services, based upon the information provided;
2. Reviewing Part A; Determination Sheet; Commitment Form, and Subrecipient proposal;
3. Obtaining any necessary additional information from PI/Administering Unit and/or Subrecipient;
4. Determining whether prior agency approval is required (if Subrecipient was not included as part of the proposal. If approval is needed SPO will submit request to Sponsor.
5. Determining whether Subrecipient meets University standards in BUS 43 regarding financial/organizational competence.

B. Issuance of New Subawards

PI/Administering Unit is responsible for:

1. Completing and forwarding Part B to SPO when the prime award has been processed and the Principal Investigator (PI) is ready to initiate the subaward. Any subsequent revisions to the proposal or other documentation that have not already been sent over to SPO should accompany the Part B.
2. Initiating the request to SPO, if Subrecipient was not requested and approved, as part of the proposal is required.

Sponsored Projects is responsible for:

1. Preparing and negotiating the subaward, which will include incorporation of:
 - a. Standard UC terms and conditions;
 - b. Flow-down appropriate sponsor terms and conditions;
 - c. Special terms and conditions based upon SPO determinations and information provided by PI/Administering Unit.
2. Consulting with other campus departments (e.g. campus counsel, risk management, purchasing) as necessary;

3. Executing subaward;
4. Notifying campus, via Subaward Notice, of executed subaward.

Accounting is responsible for:

1. Encumbering funds according to the Subaward Notice provided by SPO.

C. Monitoring Subawards

PI/Administering Unit is responsible for:

1. Initially receiving invoices for subawards issued by SPO (KKxxxx);
2. Reviewing invoices to ensure that;
 - a. Costs are reasonable, allowable, and allocable;
 - b. Period of invoice is within period of subaward;
 - c. Amount of invoice, when added to all previous invoices does not exceed the total obligated amount of subaward;
 - d. Verify that the Invoice has an approval and/or certification from subrecipient.
3. Determining whether or not PI is satisfied with programmatic performance of Subrecipient and whether technical reports have been received;
4. Approving invoice for payment, if satisfied with above;
5. Completing and Retaining the Subaward Invoice Certification for audit purposes;
6. Timely forwarding of approved invoice to Accounting.

Sponsored Projects is responsible for:

1. At PI/Administering Unit request, discussing any potential problems with subrecipient;
2. Receiving and forwarding final invoice to facilitate closeout; see Closing out Subaward section below.

Accounting is responsible for:

1. Reviewing for PI/Administering Unit approval and paying of invoices which bear subaward numbers in the range KK0000 to KK9999;
2. Returning invoices to Administering Unit if full approval has not been obtained or if problems exist;
3. Processing approved invoices.

D. Modification and/or Termination of Existing Subawards

Continuation/Incremental Subaward Funding - All incremental or continuation funding for subawards should be initiated by the Administering Unit by submitting Part B to SPO. 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 Part B.

Supplemental Funding - All requests to increase the scope of work and add additional funding to a subaward should be submitted on Part B and be accompanied by an approved budget and work statement.

Renewal Funding - All requests to renew a subaward should be submitted in accordance with IV.A. of this circular.

No-Cost Extensions - Requests to extend the end date of a subaward should be submitted on Part B. Please note that no subaward may be extended beyond the end date of the prime award.

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 SPO. If required, SPO will contact the Sponsor for approval and will notify the Subrecipient of the decision.

Termination - If the Principal Investigator determines that a Subaward is to be terminated, the Subawards Officer in SPO should be contacted.

E. Closing Out Subawards

PI/Administering Unit is responsible for:

1. Reviewing subaward to determine that all deliverables and/or reporting requirements have been met;
2. Reviewing final invoices and/or final financial report to ensure that:
 - a. costs were incurred in accordance with the terms of the subaward;
 - b. all costs were incurred within period of subaward;
 - c. amount of final invoice, when added to all previous invoices does not exceed the total obligated amount of subaward;
 - d. verify that the Invoice has an approval and/or certification from subrecipient.
3. Approving final invoice for payment, if satisfied with 1 and 2 above;
4. Completing the Close-out Certification;
5. Submitting final invoice and Close-out Certification to SPO Subaward Officer.

Sponsored Projects is responsible for:

1. Reviewing Close-out Certification;
2. Approving final invoice;
3. Forwarding approved final invoice to accounting.

Accounting is responsible for:

1. Reviewing final invoice for SPO and PI/Administering Unit approval;
2. Payment of final invoice;
3. Returning invoices to Administering Unit is required if approvals have not been obtained.

F. Subawards to UC Campuses

Proposing a Multiple Campus Award

PI/Administering Unit is responsible for:

1. Obtaining a proposal from the participating UC campus, consisting of a MCA Commitment form, Statement of Work, Budget, and any other documents required by Sponsor (i.e. Biographical Sketches, Current and Pending Support, etc.);
2. Forwarding of the institutionally endorsed proposal to SPO.

Sponsored Projects is responsible for:

1. Reviewing MCA Commitment Form and participating campus's proposal;

Issuing a Multiple Campus Award

PI/Administering Unit is responsible for:

1. Completing and forwarding the Part B to SPO when the PI is ready to initiate the MCA.
2. If required, initiating the request to Sponsor if participating campus's proposal was not included as part of UCSB's original approved proposal.

Sponsored Projects is responsible for:

1. Determining whether prior agency approval is required;
2. Issuing the MCA in accordance with the UCOP Guidance Memo 14-08.

Accounting is responsible for:

1. Transferring funds to recipient UC campus in accordance with Accounting Manual Chapter F-351.

Monitoring Multiple Campus Awards

PI/Administering Unit is responsible for:

1. Monitoring the programmatic and financial performance of the recipient UC campus.
2. It is the responsibility of the PI to monitor the programmatic performance of the participating UC campus. This will normally be accomplished by the PI's review of all deliverables submitted by the participating UC campus.

Accounting is responsible for:

1. Receiving and processing of intercampus request for reimbursement.
2. Modification and/or Termination of MCA - see section V.F. above

Closing out Multiple Campus Awards

PI/Administering Unit is responsible for:

1. Reviewing MCA to determine that all deliverables and/or reporting requirements have been met;
2. Communicate to SPO Subaward Officer that the MCA file can be closed in SPO.

Sponsored Projects is responsible for:

1. Assisting the PI and/or Administering Unit in reviewing and resolving if appropriate, any non-compliance issues;
2. Closing out the MCA file in SPO.

Accounting is responsible for:

1. Releasing any balance of encumbered funds under the MCA.

V. REFERENCES

- A. Office of Management and Budget (OMB) Uniform Guidance: Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards; OMB Circular A-110, Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals and Other Nonprofit Organizations; OMB Circular A-133, Audits of Institutions of Higher Education and other Nonprofit Organizations.
- B. UC Business and Finance Bulletin (B & F) BUS-34, Securing the Services of Independent Consultants and B & F BUS-43, Material Management
- C. Memorandum from Vice President Brady to Chancellor Uehling dated August 28, 1991.
- D. OP - Research Administration Office Operating Guidance: 91-07, 90-13, 85-31, and 14-08.

VI. APPENDICES

A. Definitions

1. Administering Unit - the UCSB department or Organized Research Unit (ORU) responsible for the financial management of the prime award.
2. Competition - requirement whereby the University must obtain competitive bids from prospective subrecipients.
3. 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.
4. Fair & Reasonable Cost Analysis UCSB/OR SK Form 800 Part A (Part A) - A form completed by 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. There are two versions of the Part A Form:
 - a) Fair and Reasonable Cost Analysis UCSB/OR SK Form 800 Part A-1, for Subawards under grants or cooperative agreements.
 - b) Fair and Reasonable Cost Analysis UCSB/OR SK Form 800 Part A-2, for Subaward under contracts.
5. Incremental Subaward - method of funding whereby a total estimated cost for the award is established but funds are made available (obligated) in increments. 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.
6. 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).
7. Multi-Campus Award Commitment Form UCSB/SK Form 101 (MCA Commitment Form) - a form completed by Subrecipient campus detailing and confirming that campus's commitment to participate in this proposed research project.

8. Multi-Campus Award Processing Procedures UCSB/OR MCA SPP - an outline of the internal UCSB procedure for proposing, issuing and managing an MCA. Includes the responsibilities of SPO, PI, Administering Unit, and Accounting.
9. Principal Investigator (PI) - the individual who is directly involved and has primary responsibility for the scientific, administrative, and fiscal conduct of the project.
10. Purchase Contract (e.g. purchase orders and subcontracts) - the legal documents, which bind the University when purchasing goods and services from sources outside the University.
11. Request to Issue a New or Amended Subaward UCSB/OR SK Form 800 Part B (Part B) - a form used to establish and modify subawards. Similar to a Purchase Requisition but solely for use with subawards.
12. Subaward Notice UCSB/OR FORM 810 (Notice) - a form issued by SPO to notify appropriate campus departments that a subaward has been established, or that modifications have been made to an existing subaward. Summarizes information regarding a subaward including special negotiated terms of which the PI and administering Unit should be aware. Encumbers the value of a subaward in the UCSB accounting system.
13. Sponsored Projects Office (SPO) - a part of the Office of Research, the Sponsored Projects Office has the delegated authority to submit proposals, negotiate and accept awards and contracts and issue subawards on behalf of The Regents of the University of California, Santa Barbara campus.
14. Sponsored Projects Office (SPO) Subaward Officer - individual in Sponsored Projects authorized to issue, modify, and monitor compliance status for subawards and subrecipients on behalf of The Regents of the University, Santa Barbara campus.
15. Subaward - (1) a contractual arrangement between The Regents of the University of California, Santa Barbara campus 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. (2) a method to implement performance of a portion of the scope of work by an entity other than UCSB under an extramural prime award issued to UCSB. Consists of Subawards and Multi-campus Awards.
16. Subaward Close-Out Certification UCSB/OR Form 330 (Close-out Cert) - a form completed by the PI, which provides assurance that all work has been satisfactorily completed, and also provides a checklist for the PI/Administering Unit to help ensure that all closeout actions have been completed.
17. Subaward Invoice Certification - a form completed by the PI, which provides certification all work has been satisfactorily completed; performance goals are being met and cost are reasonable and appropriate for the work performed.
18. Subaward Processing Procedures UCSB/OR SPP - an outline of the internal UCSB procedure for proposing, issuing, and managing a subaward. Includes the responsibilities of SPO, PI, Administering Unit, and Accounting.
19. Subcontract - 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.
20. Subrecipient/Subcontractor - the entity with whom the University enters into a subaward. The term "subrecipient" is used in this Circular 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.

21. Subrecipient Commitment Form UCSB/OR SK Form 100 (Commitment Form) - a form to be completed by Subrecipient detailing and confirming Subrecipient's commitment to participate in the proposed research project.
22. Subrecipient vs. Contractor Determination Sheet – a form to be completed by PI that determines whether the agreement that is being issued constitutes a Subrecipient or a Contractor.


Michael Witherell
Vice Chancellor, Research

CC: Tessa Mendez, Administrative Services

Please direct questions about this policy to the **Office of Research, Sponsored Projects**. For general policy questions or comments about this website, please contact policy@ucsb.edu.