

<b>System-wide Policy:</b>	
<b>FI0230 - Sponsored Projects - Subaward Origination and Subrecipient Monitoring</b>	
<b>Version: 2</b>	<b>Effective Date: 10/01/2017</b>

## FI0230 – Sponsored Projects – Subaward Origination and Subrecipient Monitoring

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### Objective:

This policy sets forth the responsibilities at various stages in the subcontracting process.

### Policy:

#### Overview

1. For the purposes of this policy, a subaward is a legal document by which the university engages another entity in support of a project for which the university has secured external funding. Throughout this policy, the terms subaward, subcontracting, and subrecipient are used in a general sense to refer to any possible type of contracting vehicle to a lower tier. This policy does not apply to professional services contracts or other purchasing contracts where the university is buying goods and services from a vendor (Refer to [Exhibit 01 for help in determining when a subaward is required](#)).

A subrecipient has the following characteristics:

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1. Determines who is eligible to receive financial assistance;
2. Has its performance measured in relation to the objectives of the Federal program;
3. Has responsibility for making programmatic decisions;
4. Has responsibility for adherence to program compliance requirements;  
and
5. Uses funds to carry out a program of the organization, not to provide goods or services for the benefit of the pass-through entity.

### Origination of the Subaward

2. The university employee who has primary responsibility for a sponsored project or the principal investigator ("PI") must perform the following duties in proposing and originating a subaward.

#### At the Proposal Stage:

- a. The subaward process is greatly facilitated by the PI's inclusion of the proposed subaward in the university's proposal to the funding agency, and pre-award offices strongly encourage PIs to identify proposed subrecipients at the proposal stage. Including a proposed subaward in a proposal does not exempt the PI from completing all necessary paperwork, but review at each approval level is less onerous. At the proposal stage, the PI should review the proposed subrecipient's statement of work and budget to determine whether it is feasible, appropriate, and reasonable before including it in the proposal to the funding agency.
- b. PIs from multiple universities and/or institutes sometimes generate proposals as teams, as this is often a preferred or required approach by the funding agencies. The proposals are then evaluated on the basis of the qualifications of the prime recipient and the proposed subrecipients.

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- c. The pre-award office should review the subaward proposal and any associated [subrecipient commitment form](#), along with the proposal, prior to submission.

After the Sponsored Project Has Been Awarded

- d. If a subaward was included in the proposal, the PI should review the approved subrecipient's statement of work and budget to ensure they remain feasible, appropriate, and reasonable for the awarded project (e.g. the subaward may need to be revisited if the funding agency required changes to the project's scope or budget.) and request that the pre-award office issue the subaward. However, under some circumstances the university has the right, with agency approval, not to issue a subaward to the entity in the proposal or to issue a subaward to a different entity.
- e. If the subaward was not included in the proposal and the PI desires to issue a subaward, the PI must work with the pre-award office to obtain prior approval on the subrecipient site from the funding agency, as applicable. - The PI should review the proposed subrecipient's scope of work and budget to determine whether it is feasible, appropriate and reasonable for the work to be performed.
- f. If required by the prime funding agency, PI/department should work with the purchasing department and campus/unit pre-award office to develop a small business subcontracting plan. (NOTE: Some agencies may require a small business subcontracting plan be developed prior to submission of the proposal.)
- g. As soon as possible after receipt of award, the PI/department should prepare and obtain approval for a JUSTIFICATION FOR NON-COMPETITIVE PURCHASES AND CONTRACTS in IRIS, and complete any other approved processes required by the campus pre-award office, such as entering the proposed subaward into IRIS or proposal management system and routing for approvals.

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- h. The PI/department must work closely with the pre-award office to process amendments (e.g., change in PI, no-cost extension, rebudgeting, etc.) to subawards.
3. The campus or unit pre-award office must perform the following duties:
- a. Ensure that the university has the authority, either by virtue of a clause in the prime award, inclusion of the subaward in the awarded proposal's budget and narrative, or other explicit approval from the awarding agency to issue a subaward and, if applicable, use reasonable efforts to include small or disadvantages businesses consistent with the proposed small business subcontracting plan.
  - b. Complete a risk assessment on the proposed subrecipient consistent with Uniform Guidance requirements (see [Uniform Guidance requirements and sample template in Exhibit 02](#)).
  - c. Ensure that the proposed subrecipient is not on the [Excluded Parties List System at Sam.gov](#). If a proposed subrecipient is listed on the government's Excluded Parties List, the campus or unit research office should notify the P.I. to identify a different subrecipient to take the place of the excluded organization.
  - d. Prepare the subaward document—or instruct the department to use the forms available on the web to prepare the document. Campuses that are Federal Demonstration Partnership (FDP) members are recommended to use FDP forms when applicable; the forms are recommended for other campuses, but not required. The pre-award office should ensure that the subaward complies with UT contract requirements as well as applicable federal regulations and requires the subrecipient to submit final reports no later than 30 days before the university must submit its final invoice to the prime sponsor or 60 days after the end of the subaward performance period, whichever is earlier. (Refer to [Exhibit 04 for UT Optional Requirements for High Risk Subrecipients](#)).

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Include the following certification in all subawards (see FAR 52.209-6 and the Uniform Guidance).

*The subrecipient certifies that it is not presently debarred, proposed for debarment, suspended, or declared ineligible for covered transactions by any federal agency or department. The subrecipient also certifies that within the past three years it has not been convicted of or had civil judgment rendered against it for a fraudulent contract or transaction, violation of federal or state antitrust laws, or the commission of embezzlement, theft, forgery, bribery, falsifying or destroying records, receiving stolen property, or making false statements.*

- e. Ensure that the subaward adheres to all applicable federal laws and incorporates any applicable flow-down provisions of the prime award, all required elements from the Uniform Guidance (see [Exhibit 03, Uniform Guidance required information](#)), and financial terms that will allow the university to comply with its financial reporting requirements under the prime award.
- f. Include appropriate language to enable the campus or unit post-award office/principal investigator to adequately monitor the subaward for compliance with all terms of the prime award (See [Exhibit 04 for UT Optional Requirements for High Risk Subrecipients](#)).
- g. In every case, obtain the subrecipient's federal identification number, DUNS number, and congressional district.
- h. Obtain a copy of the subrecipient's most recent Uniform Guidance-required Audit report and a completed Title VI survey from relevant institutions ([see #11 below](#)) before the university executes a subaward.
- i. Ensure that the proposed subaward is supported by the PI/ department's approved **JUSTIFICATION FOR NON-COMPETITIVE PURCHASES AND CONTRACTS**, if applicable.

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4. The campus purchasing department must perform the following duties.
  - a. Maintain a current list of eligible small and small disadvantaged business concerns that serve as vendors to the university.
  - b. Review and approve, as applicable, each **JUSTIFICATION FOR NON-COMPETITIVE PURCHASES AND CONTRACTS** in the amount of \$5,000 or more.
5. The campus business officer must review and approve, as applicable, each **JUSTIFICATION FOR NON-COMPETITIVE PURCHASES AND CONTRACTS** for subawards in the amount of \$5,000 or more. Subawards in the amount of \$250,000 or higher require approval of the NCJ by the Treasurer.

#### Subaward Execution

6. Only authorized officials may legally bind the university and should, therefore, sign the subawards per [FI0420 - Contracts](#).
7. Subawards must be entered in the university's contract tracking system or the electronic routing system used by the campus/unit pre-award offices.

#### Post-Award and Programmatic Monitoring

8. Activities related to the subrecipient's performance must be handled in the following manner:
  - a. The principal investigator, departmental accountant, and/or department head must review all invoices submitted by subrecipient, and the PI or department head or designee must approve by signing all invoices. Such review should compare invoice with project activities. Any unallowable charge must be deducted from the invoice before it is forwarded to the campus business office or Treasurer's Office for payment; and the principal investigator, departmental accountant, and/or department head must inform the subrecipient that the university has disallowed certain charges. Per 200.305(b)(3) of Uniform Guidance, payments to subrecipients must be made within 30 calendar days after the receipt of the invoice, unless the request is improper.

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- b. The principal investigator is responsible to monitor the programmatic part of the award to be certain the work is performed on time and in accordance with the standards set forth in the contract and the monitoring plan defined in policy. Also, the principal investigator, department head or designee must review and sign any required programmatic reports. As applicable based on sponsors requirements, the programmatic report may need approval from the Pre-award office.
- c. The Treasurer's Office shall remit payments to subrecipient.
- d. All subawards should be charged using general ledger code 481000 for the first \$25,000 of any single subaward for the life of the award and 482000 for that amount of any single subaward for the life of the award that exceeds \$25,000.
- e. Final payment to the subrecipient will not be made until subrecipient has completely fulfilled its obligations under the subaward. A campus or unit business office may require written verification to that effect before final payment can be made.

### Close-Out Procedures

- 9. Close-out procedures are performed in the following way.
  - a. Subrecipient invoices and other close-out reports must be processed within the reporting period as allowed by the prime award.
  - b. Subrecipient must submit its final invoice no later than 30 days before the university must submit its final invoice to the prime sponsor or 60 days after the end of the subaward performance period, whichever is earlier.
  - c. The principal investigator must verify that all deliverables and technical reports have been received before final payment is made.

### Other Post-Award Monitoring

- 10. Once a year, each subrecipient that is a governmental unit, college, or university or not-for-profit agency will be required to complete a Title VI survey. The original

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completed survey documents will be maintained for inspection in the Controller's Office.

11. Once each year, each subrecipient that receives \$750,000 or more in federal funds that fiscal year and that is a governmental unit, college, or university or not-for-profit agency, will be required to submit an audit certification letter as required under the Uniform Guidance. The original letters will be maintained for inspection in the Controller's Office.
12. Failure to submit either of these documents could result in suspension of work for the subrecipient.

## PROCEDURES:

Knoxville:	<a href="http://budget.utk.edu/fiscal-policy/">http://budget.utk.edu/fiscal-policy/</a>
Health Science Center:	<a href="https://uthsc.policymedical.net/policymed/home/index?ID=de47aa28-16aa-408b-9c96-cb04f232964f&amp;">https://uthsc.policymedical.net/policymed/home/index?ID=de47aa28-16aa-408b-9c96-cb04f232964f&amp;</a>
Institute of Agriculture:	<a href="https://ag.tennessee.edu/Pages/UTIApolicies.aspx">https://ag.tennessee.edu/Pages/UTIApolicies.aspx</a>
Martin:	<a href="http://www.utm.edu/departments/finadmin/procedures.php">http://www.utm.edu/departments/finadmin/procedures.php</a>
Chattanooga:	<a href="http://www.utc.edu/business-financial-affairs/fiscalpolicies.php">http://www.utc.edu/business-financial-affairs/fiscalpolicies.php</a>

## FORMS:

- [Exhibit 01 – Determination Guide for Agreements with External Entities/Individuals](#)
- [Exhibit 02 – Uniform Guidance – Required Subrecipient Risk Assessment by Pass-Through Entities](#)
- [Exhibit 03 – Uniform Guidance Required Information](#)
- [Exhibit 04 – UT Optional Requirements for High Risk Subrecipients](#)

## Contacts

Ron Maples 865-974-2243 [maples00@tennessee.edu](mailto:maples00@tennessee.edu)



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**Related Policies:** [FI0205 - Sponsored Projects](#), [FI0210 - Sponsored Projects - Cost Sharing](#), [FI0215 - Sponsored Projects - Effort Certification](#), [FI0220 - Sponsored Projects - Cost Transfers](#), [FI0235 - Sponsored Projects - Program Income](#), [FI0420 - Contracts](#)