



# CHARLES R. DREW UNIVERSITY OF MEDICINE AND SCIENCE

## Office of Sponsored Programs

### Subaward Policy

#### Summary:

Define subawards as administered through the Office of Sponsored Programs (OSP) and distinguishes them from other procurement actions. The policy describes the roles of the parties involved in proposal, issuance, oversight, and closeout of subawards, including the responsibilities of assessing and overseeing risk associated with a given subrecipient, audit oversight, monitoring subawards, review and processing of invoices, proper management of equipment purchased, fabricated or otherwise acquired under subawards, application of F&A costs, subaward reporting, and closeout.

#### SUBAWARD DEFINITIONS

##### A. SUBAWARD

A subaward is a formal written agreement made between Charles R. Drew University of Medicine and Science (CDU) and a "Subrecipient" (as defined below) to perform a portion of the Statement of Work (SOW) under a CDU sponsored project. A subaward must include a clearly defined, intellectually significant SOW to be performed by the Subrecipient. The Subrecipient's SOW is performed by its personnel, using its own facilities and resources. Work is usually performed at the Subrecipient's site. The Subrecipient takes full responsibility for adhering to the terms and conditions of the subaward (including those flowed down from CDU's sponsor), and assumes creative and intellectual responsibility and leadership as well as financial management for performing and fulfilling the Subrecipient's SOW within the Subrecipient's approved budget. The Subrecipient's responsibility under a subaward is also called "programmatic decision-making" under Federal Funding terminology.

Subawards differ from procurement contracts used to acquire goods or services from vendors. Additional guidance is found in Section 2 of this policy.

##### B. PASS-THROUGH ENTITY

The pass-through entity is defined as a non-federal entity that provides an award to a Subrecipient to carry out a program (Statement of Work on a sponsored project). The pass-through entity assumes responsibility for negotiation, issuance, oversight, and management of a subaward. The pass-through entity assumes many of the responsibilities typically assigned to a prime sponsor in issuance and oversight of an award to a grantee or contractor, including verification of the financial viability, adequacy of compliance controls and audit status of its Subrecipients as well as oversight and verification of the Subrecipient's fulfillment of its portion

of the programmatic effort. CDU serves as the pass-through entity for subawards issued under its sponsored projects. CDU's sponsor may be a prime sponsor, or may be a higher-level tier subrecipient (who, in turn, acts as a pass-through entity).

### C. SUBRECIPIENT

A "Subrecipient" is a non-CDU entity that expends awards received from CDU to carry out a portion of CDU's programmatic effort under a sponsored project. There must be an arms-length relationship between CDU and its Subrecipients. In keeping with this requirement, the Subrecipient may not involve an individual who is also a direct beneficiary of such a program at CDU, the sponsor, or a higher-tier subrecipient. The Subrecipient may be another educational institution, an independent laboratory, a foundation, a for-profit corporation, a non-profit corporation or other organization, and may be a domestic or foreign entity. Generally, CDU does not issue subawards to individuals.

For both federal and non-federal sponsored projects, CDU adheres to the federal government's definition of a Subrecipient as defined in Office of Management and Budget Circular A-133, Section 105.

### D. SPONSORED PROJECTS

Subawards are issued under Sponsored Projects, including grants, contracts and cooperative agreements funded by extramural sources. In this case, approval from the University's research funding source must be obtained before the Subaward is processed through the OSP.

## 2. **DISTINGUISHING BETWEEN A SUBAWARD AND A PROCUREMENT ACTION**

### A. IMPORTANCE AND RESPONSIBILITY FOR PROPER CLASSIFICATION

The proper classification of a transaction as a subaward or other procurement action at the time it is proposed is critical to ensure proper accounting for costs and compliance requirements. Misclassification may result in delays in subaward processing or inaccurate calculation of costs (e.g. failure to include or exclude F&A costs) and may result in the Principal Investigator (PI) having insufficient funding to carry out the proposed program. In rare cases, incorrect classification of costs may threaten the ability of the program of work to proceed (e.g., if a Subrecipient was determined not to have the internal controls necessary to receive funding from CDU.)

PIs have the initial responsibility for ensuring the correct classification of costs at the time funding is first requested from the sponsor. The PI or his/her designee must ensure that sufficiently detailed information about the proposed vendor or subrecipient and their SOW are provided both to their departmental administrators and to the applicable research administration offices. If the information provided is insufficient, research administration offices may request additional information from the PI. If the departmental administrator or institutional official determines that a cost has been misclassified, s/he will require the proposal to be corrected before it receives institutional endorsement. PIs and departmental administrators are strongly encouraged to consult with their institutional representative well in advance of a proposal due date if they are uncertain about the correct classification of costs.

Please note: F&A waivers or reductions are not granted to remedy incorrect classifications of costs. PIs may request supplemental funding from sponsors, but such requests are rarely granted.

## B. DISTINGUISHING CHARACTERISTICS BETWEEN SUBAWARDS AND OTHER PROCUREMENT ACTIONS

CDU follows the requirements found in OMB Circular A-133, Section B.210 to distinguish subawards from other procurement actions, as follows:

CDU will issue a subaward when:

- A. CDU (with assistance from its sponsor, as required) determines who is eligible to receive the subaward;
- B. the Subrecipient has its performance measured against whether the objectives of the sponsored program are met;
- C. the Subrecipient has responsibility for programmatic decision-making\* (see definitions section, above)
- D. the Subrecipient assumes responsibility for adherence to applicable sponsor program compliance requirements\*; and
- E. the Subrecipient uses sponsor funds to carry out a program (Statement of Work) of CDU as compared to providing goods or services.

CDU will use other procurement actions when the vendor:

- F. provides the goods and services within its normal business operations;
- G. provides similar goods or services to many different purchasers;
- H. operates in a competitive environment;
- I. provides goods or services that are ancillary to the operation of CDU's sponsored project;
- J. is not subject to compliance requirements of CDU's sponsor.

\* Subawards are typically needed when the nature of the Subrecipient's SOW could result in intellectual property or publishable results being developed by the subrecipient. In most cases, the need for an entity to obtain compliance approvals (e.g., approval to use human subjects or animal subjects) will also indicate the need to use a subaward rather than a procurement action.

Consistent with the requirements found in OMB A-133, Section B.210, there may be unusual circumstances or exceptions to the listed circumstances that will have a bearing on the ultimate classification of the costs. In making the determination of whether a Subrecipient or vendor relationship exists, the substance of the relationship will be considered more important than the form of the agreement. It is not expected that all of the characteristics will be present in every case.

## C. RESOLUTION OF DISAGREEMENTS REGARDING THE PROPER CLASSIFICATION OF COSTS

The PI, Finance, and OSP may disagree about the correct classification of a given transaction. In the event of disagreement, the party who believes the transaction is misclassified may petition for reconsideration based on an assessment of the factors outlined in Section B above. Petitions should be in writing, addressed to OSP handling the subaward, and should include the Subrecipient's proposed SOW and the reasons why the requestor believes the transaction is not appropriately classified. [Please note that a sponsor's approval of a budget submitted by CDU is not, in and of itself, sufficient rationale since CDU bears the ultimate responsibility for the accurate classification of costs.]

OSP will consult with their Vice President of Research and notify the PI and department of their determination, and the reasons for that decision.

In the event of further disagreement, the party who believes the transaction is misclassified may request further consideration by the Director of OSP. The Director will consult with Finance, and in a collaborative effort will apprise the PI and department of the outcome and the reasons for that decision.

## D. POST ISSUANCE CHANGES IN STATUS FROM PROCUREMENT ACTION TO SUBAWARD

During the course of a sponsored project, the nature of a consultant's or contractor's services, originally acquired through a procurement action, may expand and deepen as the consultant or contractor takes on intellectual and creative responsibilities for a portion of CDU's research project. Indicators of such expansion may be a change in the original deliverables under the procurement action, an increase in the funding, or changes that may lead to the development of intellectual property. In this case, the consultant's or contractor's relationship may transform into a subaward relationship. In this case, the procurement action will be terminated and a subaward issued through OSP.

PIs, departmental administrators, and/or the Procurement Department staff handling requisitions for vendor, contractor or consultant services are responsible for identifying situations in which procurement agreements may be transforming into subawards. These should be brought to the attention OSP in a timely manner. In some cases, OSP staff may also discover a shift during their subaward review process. Following an analysis of the individual circumstances, OSP will determine whether the mechanism for acquiring the services of the vendor/subrecipient must be changed. When a mechanism must be changed, every effort is made to ensure a smooth transition so that programmatic effort on the project will not be unduly disrupted. PIs and departmental administrators are responsible for cooperating in obtaining the necessary paperwork from the Subrecipient and/or the sponsor, and for preparing the necessary CDU paperwork to permit a subaward to be issued. Disagreements about the classification of work should be resolved through the resolution process described in Section 2.C. above.

### **3. PROPOSING A SUBAWARD**

#### **A. DETERMINING THE NEED FOR A SUBAWARD**

The PI is responsible for determining the need for a subaward and/or other procurement action on a sponsored project, and for the initial determination of which mechanism is appropriate (See Section 2 above). PIs are typically assisted by their departmental administrators in making these determinations.

#### **B. SELECTION OF A SUBRECIPIENT**

The PI must select a Subrecipient based upon his/her assessment of the potential Subrecipient's ability to perform the research work successfully. This includes an analysis of the Subrecipient's past performance, technical resources and financial viability, and an assessment of the reasonableness of the subrecipient's proposed costs in light of the work to be performed. To meet audit requirements, CDU is required to retain documentation of this latter assessment. PIs are therefore responsible for documenting their assessment of a Subrecipient's proposal via completion and submission of the Fair and Reasonable Cost Analysis Form (for subawards under grants or cooperative agreements or for subawards under contracts) - both forms are downloadable Word files. Effective June 1, 2006 and thereafter, inclusion of the completed form is required for each proposed subrecipient at the time a new or renewal proposal is presented for institutional endorsement (for subawards included in proposals). If a new subrecipient is added after a proposal has already been submitted, the PI should submit the form (as well as the other required subaward materials outlined below) at the time the new subaward is requested.

Rarely, a PI may recognize the need for outside involvement on a project but is either unable to identify the best Subrecipient by the time of proposal submission, or is unable to acquire all of the required paperwork from that Subrecipient. In these instances, proposals may be submitted with a subrecipient "To Be Named." PIs may be asked by OSP to provide documentation of the basis for their subaward cost estimate for the work being performed. PIs will also be responsible for managing any budgetary shortfalls that may result from their inability to accurately predict a Subrecipient's costs. Subrecipients should not be asked to reduce their F&A recovery or to otherwise cost-share because of CDU's failure to include appropriate costs in our proposal. All subaward paperwork listed in Section D below must be completed at the time the Subrecipient is identified.

#### **C. MULTIPLE SUBRECIPIENTS**

In complex research efforts, a number of Subawards or procurement actions may be issued as part of the research effort. The PI's original proposal must include a separate statement of work and line-item budget for each proposed Subrecipient/subaward. Each subaward or procurement action must then be considered individually in order to determine the appropriate application of F&A rates.

#### D. REQUIRED ELEMENTS TO INCLUDE A SUBAWARD IN A PROPOSAL

CDU requires that the following documents be included in order for a named Subrecipient to be included as part of a PI's proposal to the sponsor. Proposals will not be endorsed by institutional officials until these elements are on file.

1. Subrecipient's SOW, including a clear description of the work to be performed, the proposed timelines and deliverables.
2. Subrecipient's Budget and Budget Justification, including the Subrecipient's direct and indirect costs, calculated using the Subrecipient's approved F&A and fringe benefit rates, and verifying any committed cost sharing.
3. A Subrecipient Commitment Form (downloadable Word file), completed and signed by the Subrecipient's institutional official.
4. A Fair and Reasonable Cost Analysis Form (for subawards under grants or cooperative agreements or for subawards under contracts) (both downloadable Word files), as applicable, signed by CDU's PI. The PI's signature on this form certifies that he/she has selected the Subrecipient in accordance with this policy, and determined that their costs are reasonable with respect to the proposed SOW. In addition, the PI certifies that s/he has reviewed the Subrecipient's proposed budget to ensure that all proposed costs are allowable under the Sponsor's anticipated terms and conditions. PIs are responsible for working with their Subrecipients to make any necessary modifications in proposed budgets that may be required to bring them into conformance.
5. Any additional elements that may be required by CDU's sponsor (e.g., Certificate of Current Cost or Pricing data, Sole Source Justification, biosketches of Subrecipient key personnel, etc.)

Subrecipient proposal elements are expected to conform to the sponsor requirements for CDU's prime proposal. PIs are responsible for ensuring that they request all materials from their Subrecipients in the correct format.

Exceptions to the requirements outlined above should be rare, and must be approved by the OSP. In these cases, documentation must be maintained as to why an exception was granted and what follow-up action was taken to ensure that the proposal was retroactively brought into compliance in a timely manner (usually not more than two weeks after the proposal has been submitted). If appropriate and acceptable documentation is not provided in a timely manner, CDU may withdraw the proposal from sponsor consideration. Copies of approved exceptions should be furnished to the Director of OSP at least quarterly.

#### E. SPECIAL CIRCUMSTANCES

1. If any portion of the Subrecipient's proposed SOW is to be performed at CDU University or using CDU University resources, the PI must notify OSP in advance of submission so appropriate measures can be taken. These measures typically include: (a) Payment by the Subrecipient of fair and reasonable compensation to CDU for such use and (b) the Subrecipient's agreement to comply with CDU's policies on inventions, patents and licensing, and copyrights.
2. 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, CDU is required to

review and approve the Subrecipient's proposed indirect cost rate. This function is performed by OSP working directly with the proposed Subrecipient and its audit firm and/or CPA. This review is best done before a proposal is submitted to a sponsor, but must be completed before CDU can issue a subaward.

#### **4. ISSUANCE OF A SUBAWARD**

##### **A. PRE-AWARD SPENDING ON SUBAWARDS**

A subaward will not be issued, nor payments to a Subrecipient authorized, prior to CDU's receipt and acceptance of a funding commitment from the prime sponsor. A CDU PI or designee may not authorize a Subrecipient to begin working without a fully executed subaward agreement in place. Proposed Subrecipients who commence work without a fully signed subaward agreement from OSP do so at their own risk and have no assurance of payment from CDU. In the event a subaward is subsequently issued to a Subrecipient, a Subrecipient may claim costs properly incurred under its own risk, provided that the costs are otherwise allowable. In such cases, the Subrecipient must furnish evidence to CDU that all required compliance approvals were in place at the time the costs were incurred.

##### **B. SUBAWARD PERIODS OF PERFORMANCE AND DURATION**

The period of performance of a subaward (including any requested extensions) may not be outside of CDU's period of performance for a competitive segment under the prime award. Subawards may, however, be issued for shorter periods of time than CDU's full period of performance. A new subaward will be issued whenever CDU's sponsored project receives funding under a new competitive segment.

##### **C. SUBAWARD FUNDING MECHANISMS**

CDU issues subawards on a cost-reimbursement basis. Rare exceptions may be made when it can be demonstrated that a fixed-price agreement is in the best interest of the University.

##### **D. SOLE SOURCE JUSTIFICATIONS**

When a subaward is proposed under a grant or cooperative agreement proposal and subsequently approved by a sponsor, source justification may be handled via the PI's completion of Fair and Reasonable Cost Analysis - Grants. A separate Sole Source Justification Form is required for all subawards under contracts (whether or not included in CDU's proposal to the sponsor) and for all subawards under grants or cooperative agreements requested after CDU's proposal was submitted to a sponsor. This form must be completed by the PI prior to a subaward being issued.

##### **E. INITIATING AN UNANTICIPATED SUBAWARD AFTER THE PROPOSAL IS SUBMITTED**

A PI may decide to engage the services of a Subrecipient after the proposal has been submitted to the prime sponsor. In this case, the PI must submit the required elements for a subaward to OSP as described in Section 3 above, including a Sole Source Justification. In many cases, sponsor prior approval will be required (for rebudgeting, to add a new Subaward,

and/or to obtain approval for a change in scope or methodology) will be required. PIs are responsible for initiating such requests for Sponsor approval, and for obtaining the countersignature of their authorized institutional official. Subawards may not be issued until all necessary sponsor approvals are obtained.

#### F. REQUESTING ISSUANCE OF A NEW SUBAWARD

After an award has been accepted by CDU University and an account has been established by the Office of Finance (Finance), the PI or his/her authorized administrator will submit a request identifying the proposed Subrecipient. This request documents the amount authorized by the PI for the subaward and delineates the desired period of performance. OSP is not authorized to issue a subaward until an approved request is on file.

If the Subrecipient's SOW or Budget has changed, updated information should be provided to OSP; otherwise, OSP will use the information contained in the proposal/award file. In addition, the following items must be on file before a subaward is issued:

- Copies of the Subrecipient's F&A and Fringe Benefit rate agreements
- Copies of the Subrecipient's human subjects approval and approval to use animals, if applicable
- A copy of the Subrecipient's most recent A-133 audit or link to its record on the Federal Audit Clearinghouse, or completion of the Audit Certification and Financial Status Questionnaire, (downloadable Word file), if not provided at the time of proposal
- Any applicable requested information (Subrecipient Commitment form, updated Certificate of Cost or Pricing Data, Small/Small Disadvantaged Business Plan, audit information, etc.)
- Sole Source Justification, if required
- Any special requirements the PI wishes to impose (prior approval requirements, report formats or due dates, etc.)

OSP will consult with the PI and/or departmental administrators as needed to clarify requirements or to obtain additional information.

#### G. REQUESTING MODIFICATIONS TO EXISTING SUBAWARDS

Modifications to a subaward are issued by OSP in response to requests submitted to OSP by a PI or his/her designee. This includes modifications to the SOW, incremental funding, rebudgeting, extending or reducing the time for performance, and other changes in the terms of a subaward. In rare instances, OSP may initiate action on a subaward without a corresponding request; typically these changes involve urgent action on a subaward that is initiated by the University.

PIs may not reduce obligated funding or prematurely terminate an approved subaward unless they submit a corresponding requisition through OSP to request a formal change in their subaward. In such cases, CDU is required to honor the terms of the subaward, which typically require an advance notice period.

## **5. APPLYING FACILITIES & ADMINISTRATIVE (INDIRECT) COST RATES TO SUBAWARDS**

There are two types of Facilities and Administrative (F&A) costs on subawards - those earned by the Subrecipient, and those earned by CDU. A Subrecipient is expected to apply its own federally-negotiated F&A rates and bases when preparing its subaward budget, unless a lower rate or base has been agreed to by the Subrecipient's institutional official (e.g., to meet cost-sharing requirements, or to meet a sponsor's F&A rate limitation.) If a Subrecipient does not have an approved F&A rate, it must either have its proposed indirect cost rate approved by CDU (See 3.E.2.) or elect not to recover indirect costs. CDU applies the OMB A-21 "life-of-the-award" policy with respect to its subawards and will use the approved F&A rates authorized at the time of issuance of the subaward.

When CDU's prime award uses an F&A rate that is based on an MTDC base, CDU will recover its own F&A on the first \$25,000 of each subaward on a project. This recovery is calculated on the life of the subaward. When CDU's prime award uses a total direct cost rate, CDU will recover its own F&A on the full cost of a subaward. If one subaward supports multiple tasks on a single sponsored project, the \$25,000 threshold will be divided among the project accounts in proportion to their support of the subaward.

CDU's "life-of-the-award" policy applies to subawards under a research project. That means that the terms of the Subrecipient's F&A rate agreement in effect when the subaward is issued will govern F&A charges throughout the performance of the subaward. The period of performance on a subaward will not exceed CDU's competitive segment on its award. When a renewal subaward is issued under a CDU award that uses a modified total direct cost (MTDC) base for calculating F&A, CDU will recover its F&A on the first \$25,000 of the renewal subaward.

Any exceptions that impact CDU's recovery of F&A must be approved using the Facilities and Administrative Rate Exception Request Form.

## **6. PURCHASED OR FABRICATED EQUIPMENT ON SUBAWARDS**

CDU's OSP reviews the property terms and conditions for all subawards issued under contracts and on those grants where acquisition of capital equipment or fabrication by a subrecipient is contemplated. PIs and their departmental administrators are responsible for assisting OSP to ensure that property acquired or fabricated by a Subrecipient is managed in accordance with the reporting and delivery requirements of CDU's prime agreement.

## **7. SUBRECIPIENT AUDIT REQUIREMENTS**

### **A. SUBRECIPIENTS SUBJECT TO OMB CIRCULAR A-133**

Proposed Subrecipients must complete and sign the Subrecipient Commitment Form at the time of proposal. In addition, they must provide a complete copy of their most recent independent audit used to meet their A-133 requirement, or a link to their record on the Federal Audit Clearinghouse, prior to issuance of a subaward. OSP will review the report to verify that there are no related findings that may impact CDU's subaward. In the event there are such related findings, the findings are listed on the Subaward Monitoring Review Form which is then forwarded to Finance with the completed Subaward package for further follow-up if necessary.

### **B. SUBRECIPIENTS NOT SUBJECT TO OMB CIRCULAR A-133**

If the Subrecipient is not subject to A-133 audit (because the Subrecipient is a for-profit entity, a foreign entity, or expends less than \$500,000 in a year in Federal awards), it must complete the Audit Certification and Financial Status Questionnaire, (downloadable Word file) and provide any requested information (including audited financial statements) before a subaward can be issued. OSP will review the financial questionnaire, as a part of its overall risk analysis (See Section 8) and will contact PIs with any questions or to discuss the audit status or the proposed fitness of a particular Subrecipient.

### **C. ANNUAL AUDIT REVIEW**

As prescribed in OMB Circular A-133, Section 510, a Subrecipient's audit status will be reviewed annually by Finance. This review will determine whether there are reportable conditions relating to the Subrecipient's internal controls, noncompliance by the Subrecipient with laws and regulations, questioned costs in the Subrecipient's financial statements, or other reportable audit findings which might affect a CDU program.

## **8. SUBRECIPIENT MONITORING**

### **A. RISK ANALYSIS**

CDU is required to perform a risk analysis to evaluate the likelihood that a Subrecipient will fail to comply with the requirements of the subaward (A-133, Section 525). This risk analysis is handled by OSP during the subaward issuance process, and is monitored during the life of the subaward. The criteria used in evaluating risk include the Subrecipient's audit experience, the prior oversight and monitoring the Subrecipient has received, the nature and complexity of the proposed research project, and fiscal maturity of the Subrecipient.

#### **1. Definition of Low Risk and High Risk Auditees**

Low-risk Subrecipients include entities with current annual single audits containing "unqualified" opinions on their financial statements, and which have no reported material weaknesses in their internal controls. High-risk Subrecipients are entities which have not completed annual single audits, or whose audit results have demonstrated

weaknesses in administering Federal funding, a history of failing to adhere to applicable provisions of contracts and grant agreements, or weak internal control structures. High-risk subrecipients can also include start-up entities with limited resources or prior experience in performing research.

## 2. Special Actions for High-Risk Subrecipients

When OSP has categorized a Subrecipient as "high-risk," OSP will work with the PI to ascertain whether or not a subaward should be issued, what special terms and conditions should be included in the subaward, as well as what additional oversight requirements will be necessary to adequately monitor the subaward. Some of these additional monitoring requirements (e.g, more frequent reporting, shorter periods of performance or smaller, more frequent funding allocations, more detailed invoices or backup documentation) may become the responsibility of the PI and his or her administrators. Written agreements may be used to outline the responsibilities of the parties. OSP and Finance is responsible for ensuring that adequate arrangements are in place to mitigate the additional risk to CDU before issuing or continuing subawards with high-risk Subrecipients.

## 3. Subrecipient Site Visits and Site Audits

From time to time, OSP, Finance and PIs may elect to engage in a site visit to a Subrecipient to verify their programmatic, financial and technical fitness.

## B. ROLE OF THE PI (ASSISTED BY THEIR DEPARTMENTAL ADMINISTRATORS)

CDU is responsible for ensuring that sponsor funds, including those provided by CDU to other entities, are spent in accordance with all applicable laws and regulations. OMB Circular A-133 requires CDU, as the pass-through entity, to monitor its subrecipients. This monitoring requirement places CDU in much the same position as if it were a Federal agency dealing with its own primary recipient.

CDU has designated the PI as the individual primarily responsible for monitoring the programmatic and financial performance and progress a subaward. Except as noted below, the subaward monitoring and compliance obligations of the PI as may be shared with departmental administrators or other CDU University employees; however, in no event may such monitoring and compliance obligations be delegated to a non-CDU employee.

As part of CDU's monitoring responsibilities, the duties of the PI during the life of the subaward are as follows:

1. To understand the terms and conditions of the prime award, including those flowed down to the Subrecipient and those that may have been imposed by CDU, and to regularly monitor the Subrecipient's adherence to the subaward's terms and conditions. Such monitoring may take place through phone calls, emails, site visits, meetings, or other regular contact.
2. To insure that Subrecipient's invoices are prepared in accordance with subaward requirements; to verify that the costs incurred are in accordance with the approved

budget or permissible rebudgeting; were incurred within the approved period of performance and overall cost limitations, and are aligned in terms of cost and type of expense with the scientific progress reported to date; and that the costs are allowable, allocable and reasonable as they relate to the terms and conditions imposed by the sponsor and the subaward issued by CDU. In the event the level of detail included on an invoice is not sufficient to fully understand the costs, or if it appears that some costs may be excessive or understated, the PI is responsible for questioning the Subrecipient's expenditures or requesting further documentation or explanation prior to approving an invoice. Copies of all such documentation and the ultimate outcome of the investigation should be retained in the project file. Such inquiries should be done in a timely manner (e.g., within thirty days after receipt of an invoice) so that the Subrecipient can be promptly paid for approved costs. OSP staff are available to assist PIs and their departmental staff in resolving issues that may arise.

3. To personally approve acceptable Subrecipient invoices for payment and to review expenditure statements or otherwise ensure that payments to Subrecipients are made in a timely manner, consistent with the terms of the subaward and approved invoices.
4. To monitor the Subrecipient's scientific progress in terms of the SOW and any required milestones. If scientific progress is not satisfactory, or if technical reports required of the Subrecipient are not prepared timely, the PI is responsible for contacting the Subrecipient to address these issues. If continued performance is not satisfactory, PIs should contact OSP to discuss appropriate remedial actions or termination of the subaward.
5. To verify that the Subrecipient is adequately meeting any cost-sharing commitments made for the subaward, and that the Subrecipient's indirect costs as charged are in compliance with the "life-of-the-award" policy and indirect cost rate agreement specified in the subaward.
6. To verify that any human subject, animal subject, biosafety or other compliance approvals applicable to the Subrecipient's Statement of Work are kept current throughout the performance of the subaward, both from the CDU Research Office and from the Subrecipient's parallel boards or committees. In the event of a lapse in approval, the PI is responsible for immediately notifying CDU's compliance committee and OSP. Costs incurred by a Subrecipient during a period of lapse may not be charged to a subaward.
7. To be the primary point of contact for the Subrecipient during performance of the subaward. The PI may delegate those responsibilities on a day-to-day basis to another member of the research project, so long as such other member is a full-time, regular CDU employee; however, such delegation may not be made to a contractor or temporary employee working at CDU.
8. To ascertain whether the subaward SOW or Budget, or both, require modification to add funding, time, or other considerations, and to notify OSP in a timely manner so an Amendment may be prepared. Most subaward modifications will also require the PI to submit a request to OSP to authorize the change.

9. To plan for efficient completion of performance and close-out of the Subaward. This includes requiring that the Subaward period of performance end no later than the end date of the prime award, and that the Subrecipient's final invoice, final technical report, and any required reports, including those on property, use of small businesses, or inventions, be submitted to CDU no later than 60 days after the end of the Subaward period of performance or as otherwise stated in the subaward terms and conditions.
10. To assist OSP, upon request, in obtaining or reviewing reports, advising OSP during risk analyses, complying with additional monitoring responsibilities for high-risk auditees, obtaining audit information or monitoring a Subrecipient's adherence to corrective action plans.

#### C. SUBAWARD TRAINING

Administrators responsible for assisting PIs with proposing, issuance and monitoring of subawards are expected to successfully complete a training as soon as practicable after assuming these responsibilities.

### 9. CORRECTIVE ACTION PLANS AND SANCTIONS

#### A. IMPOSITION AND MONITORING OF CORRECTIVE ACTION PLANS

In the event there are audit findings which relate to the funding provided by CDU under any Subawards, compliance is required by the Subrecipient with a Corrective Action Plan as required by OMB Circular A-133, Section 315. OSP and Finance will exercise its management authority and decision-making to determine whether to approve a Corrective Action Plan proposed by the Subrecipient or to modify that plan to incorporate additional requirements. PIs will be informed if their Subrecipient is subject to a Corrective Action Plan, and may be asked to help monitor the Subrecipient's compliance.

#### B. SANCTIONS

If the Subrecipient fails to have an audit performed in accordance with CDU's requirements, does not exhibit reasonable diligence in adhering to subaward terms and conditions, including reporting and invoicing requirements, or does not fulfill its Corrective Action Plan, OSP and Finance may impose sanctions upon the Subrecipient, including withholding of payment, disallowing overhead costs, suspending the Subaward until such time as an adequate audit or other applicable corrective actions are performed, or terminating the Subaward. (A-133, Section .225)

## 10. CLOSEOUT OF SUBAWARDS

A Subaward is closed out when its period of performance comes to an end, regardless of whether Stanford's research project is ending or continuing. When feasible, it is advisable for a subaward period of performance to be slightly shorter than CDU's, to allow sufficient time for collection and review of the Subrecipient's final reports, verification of subrecipient data, and incorporation of the Subrecipient's research results into CDU's final technical report to the sponsor.

### A. FINAL TECHNICAL REPORTS

PIs are responsible for obtaining final technical reports from their subrecipients, and retaining a copy in their project file. PIs are encouraged to remind subrecipients of this need well in advance of the due date for such reports.

### B. OTHER CLOSEOUT REPORTS AND DOCUMENTS

Other final reports, including property reports, patent reports, small disadvantaged business reports etc. may be required. PIs and departments may be asked to assist OSP in obtaining the necessary closeout reports in a timely manner from the Subrecipient.

### C. FINAL INVOICE

In order for CDU to comply with its financial reporting requirements, subrecipients are required to submit a final invoice, clearly marked FINAL to CDU no later than 60 days after the end of the Subrecipient's period of performance, or such other date as may be specified in the Subaward. In the event no invoice is received 60 days after the end of a subaward, CDU may treat the Subrecipient's last invoice as the final invoice. Payment for Subrecipient invoices submitted to CDU later than 60 days after the end of the Subaward may not be paid. PIs and departments are responsible for assisting OSP in obtaining final closeout information, including invoices, from their subrecipients.